SOHO 中国 CHINA

Stock Code: 410

SOHO CHINA LIMITED

ANNUAL REPORT 2013

SOHO CHINA

The board (the "Board") of directors (the "Directors") of SOHO China Limited (the "Company", "We" or "SOHO China") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 (the "Year" or the "Period"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2013 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 4 March 2014.

For the year ended 31 December 2013, the Group achieved a turnover of approximately RMB14,621 million, a gross profit of approximately RMB8,114 million and a gross profit margin of approximately 55.5%. Net profit attributable to equity shareholders of the Company was approximately RMB7,388 million. Core net profit (excluding valuation gains on investment properties) was approximately RMB4,440 million, increased by approximately 33% year over year. The core net profit margin was approximately 30%. The main reason for the increase in core net profit and core net profit margin during the Year was mainly attributable to the high profit margin of Towers 1 and 2 of Wangjing SOHO, which were completed and delivered in 2013.

The Board recommended the payment of a final dividend of RMB0.13 per share for the year ended 31 December 2013 which is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 13 May 2014 (the "AGM").

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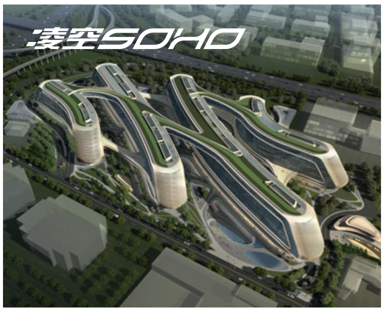
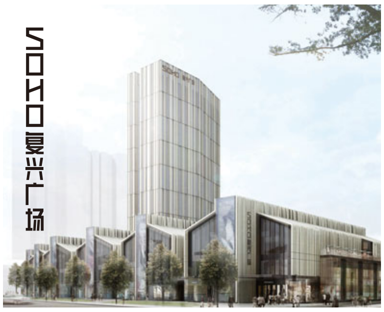
CHAIRMAN'S STATEMENT



2013 was the first year of the Company's transition from a "Build-and-Sell" to a "Build-and-Hold" business model. The Company is now the largest prime office developer in Beijing and Shanghai, as well as the only one exclusively focused on the development, leasing and operation of office properties in the market. The transition was an overall strategic adjustment after careful consideration. So far, it has been smooth and successful and is in line with the overall economic trend and development of the real estate industry in China.



The Company achieved excellent results in 2013. Turnover was approximately RMB14,621 million, with a gross profit margin of approximately 55.5% and net profit attributable to equity shareholders of the Company of approximately RMB7,388 million. Core net profit (excluding valuation gains on investment properties) was approximately RMB4,440 million, with a year-on-year growth of approximately 33%. Core net profit margin was approximately 30%. As of the end of 2013, the Company had approximately RMB10,650 million in cash and net gearing ratio of only about 17%.

Although we are confident about China's long-term economic prospect, we are concerned about some troubling signs in the residential property sector. While returns are being squeezed, mounting land cost continues to create "land kings" one after another, which is a deviation from normal market rules. This phenomenon is especially pronounced in second- and third-tier cities. On the contrary, Beijing and Shanghai, China's only two truly global cities and equipped with the best infrastructures and abundant resources, are well-positioned to continue the great economic growth in the future. We are particularly optimistic about the prospects of office properties in these two cities. After significant increases in 2012, office rental rate in Beijing remained strong at historical high levels. Shanghai office market also maintained a strong momentum, with rental rate growing nearly 5% year-on-year. Meanwhile, vacancy rates in these two cities remained at historical low levels. All these figures point to the strength of demand for office properties in Beijing and Shanghai. In particular, Chinese domestic companies from all industry segments, be it finance, healthcare, consulting, manufacturing, or technology, are becoming the new force behind this growth in demand. We will continue to focus on the development, leasing and operations of prime office properties in the central areas of Beijing and Shanghai.

We made great progress under the new business model of "Build-and-Hold" throughout 2013, focusing on the development and operation of every single project. While creating value with each existing project, we also actively expanded by acquiring one commercial site in Beijing and Shanghai each to enrich our investment property portfolio and ensure long-term sustainable growth.

In 2013, we have achieved outstanding results in leasing and operation of commercial premises, supported by the Company's substantial experience in leasing and property management of commercial premises from our nearly two decades of history:

- **SOHO Century Plaza** – Situated in Century Avenue of Lujiazui, Pudong District, Shanghai, SOHO Century Plaza is the first wholly-owned investment property launched in Shanghai after the Company's transition. The project was 100% leased in mid-2013, of which about a half was leased to Shanghai Futures Exchange and the remaining primarily to financial institutions and service companies. The average rent is higher than those of the surrounding comparable buildings.

- **Qianmen** – Located in the heart of Beijing, Qianmen enjoys a daily traffic of 150,000 domestic and international visitors. Leveraging on Qianmen's unique locational advantages, the Company repositioned the project as a tourist destination. Tenant base has been significantly upgraded by introducing flagship and experience stores of renowned international and local brands, including Madame Tussaud's Wax Museum, Samsung, Lenovo, CJ Group from Korea, Wuyutai, Donglaishun, Red Star and Pacific Coffee Company, etc. The combination of such high-quality brands enhances inflow of visitors, and the large quantity of visitors in turn drives business at the stores, thereby forming a virtuous circle.

- **SOHO Fuxing Plaza** – The project is located at Huai Hai Road Central, the most vibrant and cosmopolitan commercial area in Shanghai. Right next to the project is Shanghai Xintiandi with a bustling commercial atmosphere. The project has direct access to subway lines 10 and 13 (under construction), while lines 1, 8 and 9 are also in close proximity. Currently about 41% of the retail area has been pre-leased. SOHO Fuxing Plaza is the first prime office tower equipped with the PM2.5 air-purification system in the Shanghai market, which has become a major attraction for the market and potential tenants.

While we strive to achieve strong results year after year, we remain equally focused on maintaining momentum for sustainable growth. In April 2013, the Company made a successful bid for a commercial land parcel in the core area of Hongqiao Foreign Trade Center in Shanghai's Changning District at a price of RMB3.19 billion. The total above-ground GFA of the land is approximately 105,476 square meters. Hongqiao Foreign Trade Center, the first foreign trade center in Shanghai, is located at the convergence area of offices, commercial premises and high-end apartments in Changning District. In September, the Company made another successful bid for a land parcel in the Lize Financial Business District in Beijing at a price of RMB1.922 billion. The site, located at the Lize Financial Business District between the Southwest 2nd and 3rd Ring Roads, is south of Financial Street and less than 1 km away from the West 2nd Ring Road. The total above-ground GFA of the land is approximately 124,000 square meters. With the unit price being only RMB15,500 per square meter, this project has great appreciation potential.

Occupancy and rental rates are measures of economic value of an office building, yet as a developer, we also bear important social responsibilities. Therefore, we are committed to creating positive social values through our buildings. Last year, we effectively tackled the PM2.5 air pollution problem in our buildings in a bid to offer a clean and healthy working environment for our tenants. The indoor air quality of SOHO China office towers has surpassed the standard set by the World Health Organization. Starting from Galaxy SOHO in Beijing, every SOHO China projects in future will be equipped with PM2.5 air-purification systems. During the year, we have also installed water dispensers to provide clean drinking water for our tenants. Last but not least, in an effort to create environment-friendly buildings and to protect the environment we are living in, we have established SOHO China Energy Saving Center, with a goal to enhance property management, save cost and improve energy efficiency.

Our physical health is linked to the health of the environment we live in. In many ways, a company is just like the human body and must maintain good health. As we dedicate ourselves to maintaining a healthy environment, we are also focused on building a healthy company. True health comes from inner wellness. A healthy society is driven by optimistic and motivated individuals with a healthy attitude, and ready to help others and serve the society. Similarly, the health of a company is not determined by its size, but by its culture and values. Unity, integrity and innovation are SOHO China's core corporate values. We will stay true to these values as we continue to strive for greater excellence and success.

Pan Shiyi
Chairman
4 March 2014

BUSINESS REVIEW

MAJOR PORTFOLIO

During 2013, Tower 1 and Tower 2 of Wangjing SOHO was completed and delivered, with a total GFA of approximately 350,000 square meters. The Company acquired two commercial land parcels located in Gubei Hongqiao CBD of Shanghai and in the Lize Financial Business District of Beijing, respectively during the Period. The total consideration of the two projects was RMB5,112 million.

As at 31 December 2013, the major properties in the Company's portfolio were as follows:

	Project	Location	Type	Total Gross Floor Area ("GFA") (sq. m.)	Group Interest (%)
Projects for Investment	Tiananmen South (Qianmen)	Beijing	Retail	55,000	100%
	Chaoyangmen SOHO	Beijing	Retail, Office	11,219*	100%
	Wangjing SOHO (Tower 3)	Beijing	Retail, Office	170,000	100%
	Guanghualu SOHO II	Beijing	Retail, Office	166,000	100%
	Lize Project	Beijing	Retail, Office	170,000	100%
	SOHO Century Plaza	Shanghai	Retail, Office	59,000	100%
	SOHO Fuxing Plaza	Shanghai	Retail, Office	137,000	100%
	Sky SOHO	Shanghai	Retail, Office	343,000	100%
	Hongkou SOHO	Shanghai	Retail, Office	96,000	100%
	Bund SOHO	Shanghai	Retail, Office	190,000	61.51%
	Bund 8–1 Land	Shanghai	Retail, Office, Finance, Art, Culture	426,000	50%
	SOHO Hailun Plaza**	Shanghai	Retail, Office	168,000	100%
	SOHO Tianshan Plaza	Shanghai	Retail, Office, Hotel	170,000	100%
	Gubei Project	Shanghai	Retail, Office	150,000	100%
Projects for Sales	SOHO Zhongshan Plaza	Shanghai	Retail, Office	142,000	100%
	SOHO Jing'an Plaza**	Shanghai	Residential, Retail, Office	76,000	100%

* Lettable GFA in the project held by the Group for investment

** On 27 February 2014, the Company entered into agreements to sell entire interests in these two projects to Financial Street Holdings Co. Ltd.

Major Projects in Beijing

TIANANMEN SOUTH (QIANMEN)

The project is located at Qianmen Avenue and the area east to the avenue, right on the south of Tiananmen Square. The Group has the right to retail space of approximately 54,691 square meters, of which approximately 35,000 square meters is in leasing operation, with occupancy rate reaching 73% by the end of 2013. During the Period, the Group re-positioned the project as a tourist destination based on its unique location and large tourist traffic, substantially upgraded the tenant base. Currently Qianmen project features flagship and experience stores from international well-known brands including Samsung, Lenovo, Madame Tussauds, CJ, Wu Yutai, Long Shengxiang, Donglaishun etc.

GALAXY SOHO

Galaxy SOHO has a total GFA of approximately 328,432 square meters and total sellable area of approximately 258,590 square meters. Designed by Zaha Hadid Architects, the project was completed and delivered in November 2012 and became an iconic building within the East Second Ring Road of Beijing. It has access to two subway lines, and is the first newly built large-scale office building in Beijing to provide PM2.5 purified air.

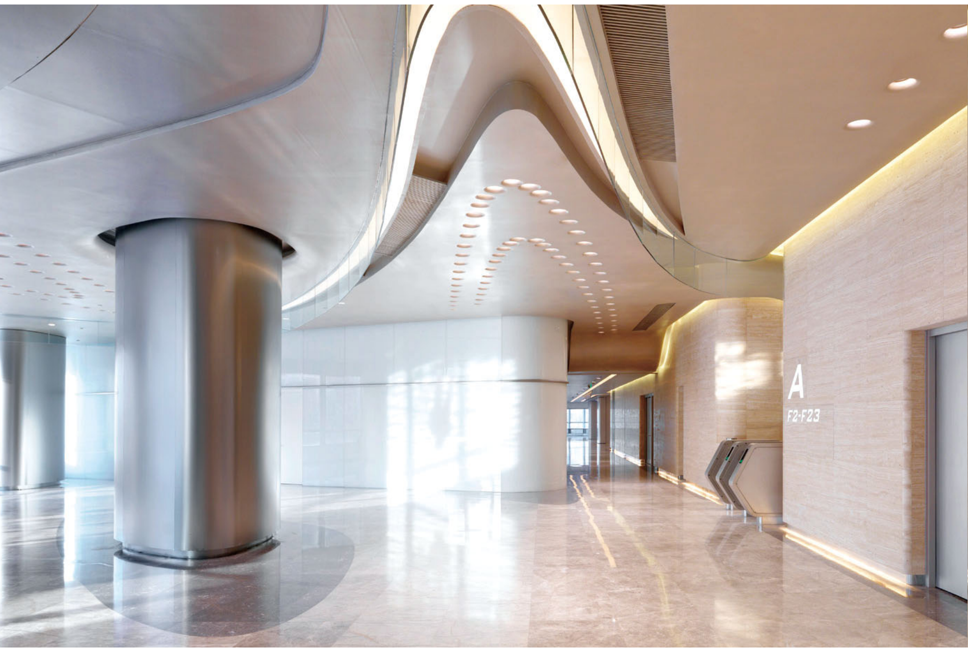
The Group launched the pre-sale of Galaxy SOHO on 26 June 2010. As at 31 December 2013, the sellable area of project was almost sold out. Within one year after delivery, 77% of over 160,000 square meters office space of this gigantic project were leased out.

WANGJING SOHO

Designed by Zaha Hadid Architects, Wangjing SOHO is a large-scale retail and office property consisting of a total GFA of approximately 520,000 square meters and a total sellable/lettable GFA of approximately 417,358 square meters. The project comprises three towers (Towers 1, 2 and 3).

The pre-sale of Wangjing SOHO Towers 1 and 2 was launched on 20 August 2011. Total sellable GFA of the two towers was approximately 283,204 square meters, including approximately 240,597 square meters of office area and approximately 42,607 square meters of retail area (including B1). As at 31 December 2013, Towers 1 and 2 office and retail space were 98% sold, with a cumulative contract sales amount of approximately RMB14,844 million, and the average selling prices of approximately RMB49,551 per square meter for office area and approximately RMB76,159 per square meter for retail area, respectively. The Group plans to keep Tower 3 of approximately 127,895 square meters of lettable area as investment properties, of which approximately 123,573 square meters is for office and approximately 4,322 square meters for retail. Towers 1 and 2 were completed and delivered in the end of 2013 and Tower 3 is expected to be completed and delivered in 2014.

The Wangjing area where Wangjing SOHO locates is one of Beijing's most well-developed high-end residential area and is noticeably lacking in large-scale office and commercial facilities. Upon full completion in 2014, the development of Wangjing SOHO will significantly enhance and balance the overall urban fabric of the Wangjing area. The project, zoned to stand 200 meters high, will be the first landmark and a point of access to central Beijing from the airport expressway. Currently, Wangjing is also home to the China headquarters of many prestigious multinational companies, including Daimler, Siemens, Microsoft and Caterpillar.



GUANGHUALU SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District, opposite the Guanghualu SOHO project. The total planned GFA is approximately 166,264 square meters and total lettable area is approximately 115,814 square meters, including approximately 84,388 square meters of office area and approximately 31,426 square meters of retail space. The project is under construction and is expected to be completed by the end of 2014.

Major Projects in Shanghai

SOHO CENTURY PLAZA

The project is the first completed office building wholly-owned by the Group in Shanghai as investment properties. It has a total lettable GFA of approximately 42,954 square meters, including approximately 42,522 square meters of office area and approximately 432 square meters of retail area. The project is fully occupied with approximately 50% leased to the Shanghai Futures Exchange and the rest mainly to financial institutions and service companies.

SOHO Century Plaza is situated at Century Avenue of Pudong District, Shanghai, Pudong's Zhu Yuan business district. The project is close to the Lujiazui financial district and only about three kilometers away from Jin Mao Tower and Oriental Pearl TV Tower. SOHO Century Plaza is easily accessible through convenient subway networks and road systems. It is within five minutes walking distance to Pudian Road Station on subway line 4 and within eight minutes walking distance to Century Avenue Station, the interchange station for subway lines 2, 4, 6 and 9. Century Avenue Station is currently the largest subway transportation hub in China.

SOHO FUXING PLAZA

The project has a total planned GFA of approximately 137,000 square meters and lettable area of approximately 88,390 square meters, of which approximately 57,039 square meters is for office use and approximately 31,351 square meters is for retail use. Currently, 41% of the retail area has been pre-leased. The project is expected to be delivered and officially opened in the second half of 2014.

SOHO Fuxing Plaza is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway line 10 and subway line 13 (under construction). It is right next to Shanghai Xintiandi that has a bustling commercial atmosphere.

SKY SOHO

Sky SOHO has a total planned GFA of approximately 343,000 square meters and total lettable area of approximately 228,296 square meters, which consists approximately 194,439 square meters of office area and approximately 33,857 square meters of retail area.

The project is situated in the Shanghai Hongqiao Linkong Economic Zone and adjacent to the Shanghai Hongqiao transportation hub. The Shanghai Hongqiao transportation hub, the convergence point of modern means of transportation such as airplane, high speed railway and subway, is the world's largest transportation hub and currently Shanghai's most vibrant area. It is connected to the most affluent cities of the Yangtze River Delta within about half an hour, making the Shanghai Hongqiao transportation hub and its nearby areas an area with the highest development potential in China.

The project is now under construction and is expected to be completed and delivered in 2014.

HONGKOU SOHO

The project has a total planned GFA of approximately 95,506 square meters and a lettable GFA of approximately 70,548 square meters, including approximately 65,972 square meters of office area and approximately 4,576 square meters of retail area.

Hongkou SOHO is situated at Sichuan North Road Station on subway line 10 and is only 300 meters away from Baoshan Road Station, the interchange station for subway lines 3 and 4. It is located at the most prime and developed area of the Sichuan North Road commercial district, one of the three largest commercial districts in Shanghai.

The project is currently under construction.

BUND SOHO

The project has a total planned GFA of approximately 189,909 square meters. The Group holds 90% interests of T&T International Investment Corporation ("T&T International"), the major shareholder of the project company, and consequently holds 61.506% interest of the project company. The Group is entitled to a lettable GFA of approximately 77,308 square meters, including approximately 53,159 square meters of office area and approximately 24,149 square meters of retail area.

Bund SOHO is framed by Yong'an Road to the east, Xin Yong'an Road to the south, East Second Zhong Shan Road to the west, and Xinkaihe Road and Renmin Road to the north. On the treasured premium strip of the Bund, right next to Shanghai's most famous City God Temple, and beside the Bund's multi-dimensional transportation hub and yacht pier, the project location possesses a highly developed and lively commercial atmosphere.

The project is now under construction.

THE BUND 8–1 LAND

On 29 December 2011, the Group announced the entering into of an equity transfer and loan assignment agreement to acquire 50% equity interest in Shanghai Haizhimen Property Investment Management Co., Ltd. at a total consideration of RMB4 billion. As at 31 December 2013, the Group is indirectly entitled to 50% equity interest of the project company of the Bund 8–1 Land.

The Bund 8–1 Land has a site area of approximately 45,472 square meters zoned for mixed office, retail, financial, art and culture uses. The project has a total planned GFA of approximately 426,073 square meters, with above-ground GFA of approximately 274,777 square meters (of which lettable GFA is approximately 269,968 square meters, including 40,590 square meters of retail space, 190,000 square meters of office space, 30,000 square meters of hotel space and 9,378 square meters of art and culture space) and 151,296 square meters of underground gross floor area (including 51,002 square meters of underground retail space). The rights to the 30,000 square meters of hotel space and 6,000 square meters of underground auxiliary facilities have been sold to a third party.

The Bund 8–1 Land is located between Yuyuan Garden and the Shiliupu Expo water gate in Shanghai's Huangpu District, and is in close proximity to the Bund transportation hub and the Bund SOHO project acquired by the Group. Set on the bank of the Huangpu River, the Bund 8–1 Land is endowed with the Huangpu River waterfront scenery and faces Pudong's Global Financial Center and Jinmao Tower across the river.

The project is currently under construction.

SOHO TIANSHAN PLAZA

SOHO Tianshan Plaza has a total planned GFA of approximately 170,000 square meters, and a total lettable GFA of approximately 117,435 square meters, including approximately 75,485 square meters of office area, approximately 18,048 square meters of retail area and approximately 23,902 square meters of hotel and other use.

SOHO Tianshan Plaza is at the most prime location of the Hongqiao Foreign Trade Center, in Changning District, Shanghai. Being the first business district for foreign enterprises in Shanghai, this area is home to over 4,400 enterprises and organizations with a high concentration of foreign invested enterprises. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan neighbors the inner circle and Loushanguan Station on subway line 2. Surrounded by a lively and bustling commercial atmosphere, SOHO Tianshan Plaza is situated at the hub for office, retail and luxurious residential apartments in Changning District. Upon completion, SOHO Tianshan Plaza will greatly enhance the quality of office and commercial facilities in the area.

The project is currently under construction.

SOHO ZHONGSHAN PLAZA

SOHO Zhongshan consists of two buildings with a total planned GFA of approximately 142,000 square meters, including approximately 100,218 square meters of sellable office area and approximately 12,691 square meters of sellable retail area.

SOHO Zhongshan Plaza is situated at Zhongshan West Road in Changning District, Shanghai. Situated at the heart of Hongqiao commercial district, it is only about 2 kilometers from Xujiahui and Zhongshan Park commercial districts, and about 8 kilometers from the Hongqiao transportation hub. SOHO Zhongshan Plaza is easily accessible through an extremely convenient transportation network that is close to Songyuan Road Station on subway line 10 and Hongqiao Road Station on subway lines 3, 4 and 10, and in close proximity to the Zhongshan West Road/Inner Ring highway.

As at 31 December 2013, the project sold 73% of total saleable area and achieved a total cumulative contract sales amount of approximately RMB3,881 million.

New Acquisitions

GUBEI PROJECT

In April 2013, the Group has made a successful bid of RMB3.19 billion for the land use right in respect of plot Gubei 5–2 situated in Changning District of Shanghai. The land is planned for office and retail use, and has a total GFA of approximately 150,000 square meters, and above-ground GFA of approximately 105,476 square meters.

The land is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District. The Hongqiao Foreign Trade Center area is Shanghai's first CBD for foreign enterprises, home to over 4,400 companies and organizations, over 50% of which are foreign invested enterprises and organizations including Intel, General Electric, Samsung, Shell and other multinational companies. Surrounded by a vibrant commercial office atmosphere, the area is a gathering place for Changning's office, business and high end residential apartments.

The land sits beside the 130,000 square-meter New Hongqiao Center Garden. After completion, the project will be accessible underground from subway line 10 and the planned subway line 15 that all run through Yili Station. The project is in close proximity to the Gubei Takashimaya shopping mall, Gubei Fortune Plaza, and other Grade A office buildings. The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Manao Road to the west and the Hongqiao Road to the north.

The planning and designing work has already commenced.

LIZE PROJECT

In September 2013, the Group has made a successful bid of RMB1.922 billion for the land use right of a land parcel in the Lize Financial Business District in Beijing. The land has a total GFA of approximately 170,000 square meters and an above-ground GFA of approximately 124,000 square meters. Located in the center of the Business District, the site is to the south of Lize Road and less than 1 kilometer away from the West Second Ring Road. The project is adjacent to the planned subway lines 14 and 16 and has very convenient access to transportation.

Located between Beijing's West 2nd and 3rd Ring Roads, the Lize Financial Business District is the key area to be developed into Beijing's next financial district, as an extension of the Financial Street. With a total site area of 8.09 square kilometers and a total planned GFA of 8–9.5 million square meters, the Lize Financial Business District is the last large-scale area for new development within the 3rd Ring Road in Beijing. It is planned to provide quality offices, apartments, exhibition centers, commercial and leisure facilities to accommodate the demand stemming from burgeoning financial institutions and headquarters of financial companies.

Lize Business District is currently home to over hundreds of financial institutions and large corporations, including financial corporations such as China Securities Finance Corporation, China United Property Insurance Company, and financial institutions such as China Financial Information Exchange, China Railway & Banking Express Company, Zhongtong Finance etc.

The planning and designing work of the project has already commenced.

SALES OF PROJECT INTEREST

On 27 February 2014, the Group entered into agreements with Financial Street Holdings Co., Ltd, pursuant to which the Group agreed to sell to Financial Street Holdings Co., Ltd (a) its entire equity interests in SOHO Hailun Plaza and the related loans; and (b) its entire interests in SOHO Jing'an Plaza for a total consideration of approximately RMB5.23 billion.

The sales will benefit the Group by increasing cash holding by approximately RMB5.23 billion as the Group continues to monitor the market for opportunities to acquire high-quality assets at prime locations in Beijing and Shanghai.

SOHO Hailun Plaza is located at subway line 10 Hailun Road Station in Hongkou District, Shanghai, only approximately 2.5 kilometers from the city center, the People's Square, and in close proximity to the Sichuan North Road commercial area. It has a total above-ground GFA of approximately 112,132 square meters.

SOHO Jing'an Plaza is situated next to the Chang Shou Lu Commercial Street at the Caojiadu commercial area, Jing'an District, Shanghai. Surrounded by subway lines 2, 3, 7 and 11 and with the addition of subway lines 13 and 14 in the area in the future, the area is another vibrant, popular area for offices, retail and luxurious apartments. The project has a total above-ground GFA of approximately 51,136 square meters.

CONTRACT SALES

In 2013, the Group's contract sales were mainly generated from Towers 1 and 2 of Wangjing SOHO, Galaxy SOHO and SOHO Zhongshan Plaza. The total contract sales amount was approximately RMB4,687 million, with an average selling price of approximately RMB60,835 per square meter.

Project	Contract sales amount during the Period (RMB'000)	Contract sales area* during the Period (sq.m.)	Average price* during the Period (RMB/sq.m.)	Total sellable area* (sq.m.)	Aggregate percentage of sellable area sold* by 31 December 2013	Aggregate contract sales amount by 31 December 2013 (RMB'000)
Wangjing SOHO (Towers 1&2)	2,078,409	35,509	58,091	283,204	98%	14,843,983
Galaxy SOHO	1,257,779	13,657	89,881	258,590	92%	17,431,092
SOHO Zhongshan Plaza	841,937	17,953	45,958	112,864	73%	3,881,292
Others	509,021	8,757				
Total	**4,687,146**	**75,876**	**60,835**			

* Sellable area, contract sales area and average price exclude that of car parks in the projects.

CORPORATE SOCIAL RESPONSIBILITY

SOHO China Foundation is a public welfare charity organization which is invested, managed and operated solely by SOHO China. Its mission is to promote physical development and at the same time, stimulate our spiritual advancement and growth.

In 2013, SOHO China Foundation placed its focus on relief and aids disasters, school infrastructure constructions and provision of educational resources in poverty-stricken areas.

In the wake of the 7.0-magnitude earthquake in Lushan County, Ya'an City, Sichuan Province that affected millions of people in April 2013, SOHO China Foundation donated RMB5 million and commissioned One Foundation to undertake disasters relief and aids and arrange temporary accommodation and mental counseling for children.

In the summer of 2013, Mrs. Pan Zhang Xin Marita and Mr. Pan Shiyi paid a visit to the schools in Lincang, Yunnan to examine the implementation of the "Teach For China" project, a professional non-profit education project that designates graduates from renowned universities in both China and U.S. to areas labeled with low level of education in Yunnan and Guangdong for a teaching program with a term of two years. SOHO China Foundation extended its support to the development of the "Teach For China" project by fund contribution and physical participation of its employees in 2013. SOHO China Foundation aims to deal with the imbalance of education in China via the development of the "Teach For China" project, through which the living standard of poor family would be improved given a higher level of education.

SOHO China Foundation has been devoted to the education development in Tianshui, Gansu for many years. During the summer vacation in 2013, SOHO China Foundation made a donation to Tianshui Education Bureau for replacement of school tables and chairs, addition of electronic teaching devices and improvement of teachers' benefits for Pan Ji Zhai School with the goal to provide sufficient resources necessary for better education and create a better educational environment for the teachers and students in the area. New uniforms and schoolbags are also provided to each of the students for a fresh start in the new semester.

Going forward, to turn its commitment to social responsibility into action, SOHO China Foundation will maintain its proactive participation in various public welfare projects.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Property development

Turnover for 2013 was approximately RMB14,621 million. Area booked during the Period was approximately 261,637 square meters (excluding car parks), and the average selling price of booked area was approximately RMB54,527 per square meter. Turnover for the Period was mainly contributed by Wangjing SOHO, Galaxy SOHO and SOHO Zhongshan Plaza.

Profitability

Gross profit for 2013 was approximately RMB8,114 million, representing a decrease of 10% as compared with approximately RMB9,007 million in 2012. Gross profit margin for the Period was approximately 55.5% (2012: 55.8%).

Profit before taxation for 2013 was approximately RMB12,470 million, representing a decrease of approximately 31% as compared with approximately RMB18,195 million in 2012. The decrease in profit before taxation was mainly due to the substantial decrease in valuation gains from investment properties during the Period.

Net profit attributable to the equity shareholders of the Company for 2013 was approximately RMB7,388 million, representing a decrease of approximately 30% as compared with 2012. Core net profit, excluding valuation gains on investment properties, was approximately RMB4,440 million, representing an increase of approximately 33% as compared with that in 2012. Core net profit margin for 2013 was approximately 30%, which has substantially increased from 21% in 2012. The increase in core net profit and core net profit margin was mainly contributed by the relatively high profit margin of Towers 1 and 2 of Wangjing SOHO completed and delivered during the Period.

Cost control

Selling expense for 2013 was approximately RMB373 million, representing approximately 2.6% of the turnover during the Period.

Administrative expense for 2013 was approximately RMB348 million, accounting for approximately 2.4% of the turnover during the Period.

Financial income and expenses

Financial income for 2013 was approximately RMB807 million, representing an increase of approximately RMB375 million as compared with that in 2012. The increase in financial income was mainly due to the enhanced return from cash management and foreign exchange gain during the Period.

Financial expenses for 2013 were approximately RMB125 million, representing a decrease of approximately RMB433 million compared to those in 2012, as a result of large amount of interest expenses capitalized during the Period.

Valuation gains on investment properties

Valuation gains on investment properties for 2013 were approximately RMB4,220 million, mainly contributed by the valuation gains of uncompleted investment properties resulted from their further construction progress in the Period.

Income tax

Income tax of the Group for 2013 comprised the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for the Period was approximately RMB1,863 million, representing a decrease of approximately RMB1,036 million as compared with approximately RMB2,899 million in 2012. Land Appreciation Tax for the Period was approximately RMB2,137 million, representing a decrease of approximately RMB1,273 million as compared with approximately RMB3,410 million in 2012.

Senior notes, bank loans and collaterals

On 31 October 2012, the Company successfully issued US$600 million 5.750% senior notes due 2017 and US$400 million 7.125% senior notes due 2022 (collectively, the "Senior Notes").

On 18 November 2013, the Company announced early redemption of outstanding portion of its 3.75% convertible bonds (the "Convertible Bonds") due in 2014 with principal amount of approximately HKD2,218 million. As at 12 December 2013, all outstanding Convertible Bonds were converted to 434,901,929 ordinary shares of the Company.

As at 31 December 2013, the bank loan balance of the Group was approximately RMB11,046 million, of which approximately RMB2,760 million is due within 1 year or on demand, approximately RMB1,650 million is due after 1 year but within 2 years, approximately RMB6,471 million is due after 2 years but within 5 years and approximately RMB165 million is due after 5 years. As at 31 December 2013, bank loans of approximately RMB11,046 million of the Group were collateralized by the Group's land use rights, properties and shares of certain subsidiaries or guaranteed by certain subsidiaries of the Group.

As at 31 December 2013, the Group had Senior Notes and bank loans of approximately RMB17,070 million, equivalent to approximately 22.0% of the total assets (31 December 2012: 28.5%). Net debt (bank loans + Senior Notes – cash and cash equivalents and bank deposits) to shareholder's equity ratio was approximately 17.1% (31 December 2012: 2.6%).

Risks of foreign exchange fluctuation and interest rate

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in Hong Kong dollars and US dollars, and the Senior Notes were denominated in US dollars. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. During the Period, the Group entered into an interest rate swap agreement for the syndicated loans denominated in US dollars (USD415 million) to hedge the potential interest rate risk.

Contingent liabilities

As at 31 December 2013, the Group entered into agreements with certain banks to provide guarantees in respect to mortgage loans provided to buyers of property units. The amount of guaranteed mortgage loans relating to such agreements was approximately RMB6,339 million as at 31 December 2013 (approximately RMB5,593 million as at 31 December 2012).

Reference is made to the announcement of the Company dated 24 April 2013 in relation to the judgment issued by the Shanghai No. 1 Intermediate People's Court of the PRC (the "Trial Judgment"). Pursuant to the Trial Judgment, the acquisition by a subsidiary of the Company of 100% equity interests in Shanghai Zendai Wudaokou Real Estate Development Co., Ltd ("Zhendai Wudaokou") and Hangzhou Greentown Hesheng Investment Company ("Greentown Hesheng") was ordered to be invalidated.

Zhendai Wudaokou and Greentown Hesheng together hold 50% equity interests in Shanghai Haizhimen Property Investment Management Co., Ltd. ("Shanghai Haizhimen"). Shanghai Haizhimen owns 100% equity interest in a project company which holds the land use rights to the Bund 8–1 Land.

The relevant subsidiary of the Company has made an appeal (the "Appeal") to the Higher People's Court of Shanghai against the Trial Judgment. As advised by the Company's PRC legal advisers, since the Trial Judgment cannot be enforced and will not become effective pending the results of the Appeal, the Company's relevant subsidiary is still holding 100% equity interests in Zendai Wudaokou and Greentown Hesheng, which, upon completion of the Project Company Transfer Agreement, through Shanghai Haizhimen, indirectly holds 50% interest in the Bund 8–1 Land.

Other than the above litigation, the Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position, liquidity, or operating results of the Group.

Capital commitment

As at 31 December 2013, the Group's contracted capital commitments for properties under development was approximately RMB3,671 million (approximately RMB4,903 million as at 31 December 2012). The amount mainly comprised the contracted development cost of existing projects.

Employees and Remuneration Policy

As at 31 December 2013, the Group had 2,442 employees, including 236 employees for Commune by the Great Wall and 1,728 employees for the property management company.

The remuneration of the Group's employees includes basic salary and bonuses. Bonuses are determined on a quarterly basis based on performance reviews. Pursuant to the terms of the share option scheme adopted on 14 September 2007, the Company granted share options to various directors and employees. The Company adopted the share award scheme (the "Employee's Share Award Scheme") on 23 December 2010 as part of its employees' remuneration packages, and granted shares to various employees, including various Directors pursuant to the rules of the Employee's Share Award Scheme.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment in real estate development, leasing and management. Details of the principal activities of the Group are set out in the section headed "Business review" of this report. There were no significant changes in the nature of the Group's principal activities during the Period.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the financial status of the Company and the Group as at 31 December 2013 are set out in the audited consolidated financial statements.

The Board has resolved to recommend the payment of a final dividend of RMB0.13 per share for the year ended 31 December 2013 (2012: RMB0.13 per share).

FINANCIAL INFORMATION SUMMARY

A summary of the published financial results of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

Consolidated income statement for the years ended 31 December:

	2013	2012 (Restated)	2011	2010	2009
RMB'000					
Turnover	**14,621,436**	16,142,984	5,684,822	18,215,091	7,413,451
Profit before taxation	**12,470,385**	18,194,772	6,861,880	8,700,068	5,658,710
Income tax	**(5,034,304)**	(7,547,921)	(2,375,458)	(4,928,485)	(2,264,020)
Profit for the year	**7,436,081**	10,646,851	4,486,422	3,771,583	3,394,690
Attributable to:					
Equity shareholders of the Company	**7,388,049**	10,584,876	3,892,308	3,636,156	3,300,178
Non-controlling interests	**48,032**	61,975	594,114	135,427	94,512
Basic earnings per share (RMB)	**1.492**	2.051	0.751	0.701	0.636
Diluted earnings per share (RMB)	**1.404**	1.897	0.716	0.673	0.625
Interim dividend per share (RMB)	**0.12**	0.12	0.14	0.12	0
Final dividend per share (RMB)	**0.13**	0.13	0.11	0.14	0.2

Consolidated balance sheet as at 31 December:

	2013	2012	2011	2010	2009
RMB'000					
Non-current assets	**55,810,572**	45,205,058	16,146,673	9,711,396	5,427,663
Current assets	**22,012,453**	35,372,513	43,533,101	38,219,036	32,328,658
Current liabilities	**19,251,402**	25,046,565	23,044,487	18,853,899	11,958,573
Net current assets	**2,761,051**	10,325,948	20,488,614	19,365,137	20,370,085
Total assets less current liabilities	**58,571,623**	55,531,006	36,635,287	29,076,533	25,797,748
Non-current liabilities	**20,085,828**	23,820,544	13,417,665	9,097,165	8,355,221
Net assets	**38,485,795**	31,710,462	23,217,622	19,979,368	17,442,527
Share capital	**107,868**	106,029	107,502	107,485	107,485
Reserves	**37,352,740**	30,593,478	21,615,261	19,135,247	17,116,130
Total equity attributable to equity shareholders of the Company	**37,460,608**	30,699,507	21,722,763	19,242,732	17,223,615
Non-controlling interests	**1,025,187**	1,010,955	1,494,859	736,636	218,912
Total equity	**38,485,795**	31,710,462	23,217,622	19,979,368	17,442,527

SHARE CAPITAL AND SHARE OPTIONS

Details of changes in the Company's share capital and share options during the Year and details of the pre-IPO share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Pre-IPO Share Option Scheme") and the post-IPO share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Share Option Scheme") are set out in Notes 26 and 28 to the audited consolidated financial statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the Year are set out in Note 26 to the audited consolidated financial statements and the consolidated statements of changes in equity.

Details of the distributable reserves of the Company as at 31 December 2013 are set out in Note 26 to the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the laws of the Cayman Islands.

PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Group during the Year are set out in Note 11 to the audited consolidated financial statements.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 27 September 2013, the Company, as borrower, entered into a credit agreement (the "Credit Agreement") with a syndicate of banks for the US$415 million and HK$4,263 million (equivalent to approximately US$550 million) (the "Total Commitments") 4-year transferable term loan facilities (the "Syndicated Loan"). The Syndicated Loan bears interest at the rate of LIBOR/HIBOR (as the case may be) plus interest margin of 3.20% per annum. The Syndicated Loan was for the repayment and/or prepayment of the existing loan facilities of the Company.

Pursuant to the terms of the Credit Agreement, the Company as borrower and certain subsidiaries of the Company, as guarantors, must, among others, procure that:

1. Mrs. Pan Zhang Xin Marita ("Ms. Zhang") and the Little Brothers Settlement constituted on 25 November 2005 by a deed of settlement between Ms. Zhang as settlor and HSBC International Trustee Ltd. as original trustee and under which Ms. Zhang is also the protector and a beneficiary (the "Trust"), in the aggregate, remain the beneficial owners of not less than 51% of the entire issued share capital of the Company; and

2. (i) Mr. Pan Shiyi ("Mr. Pan") or Ms. Zhang remain as the chairman of the Company at all times; or (ii) Mr. Pan or Ms. Zhang remain as the chief executive officer of the Company at all times, unless the chairman or the chief executive officer is replaced by a person approved by the majority lenders within 30 days from the date each of Mr. Pan and Ms. Zhang cease to be either the chairman or the chief executive officer of the Company (as the case may be).

Falling that, among other things, all or part of the Total Commitments may be cancelled and/or all outstanding liabilities of the Company under the Credit Agreement and/or other documentation in relation to the Syndicated Loan will become immediately due and payable. As at 31 December 2013, the Trust is the beneficial owner of approximately 62.8612% of the entire issued share capital of the Company.

DIRECTORS

The directors of the Company (the "Directors") during the Year and up to the date of this report are:

Executive Directors
Mr. Pan Shiyi *(Chairman)*
Mrs. Pan Zhang Xin Marita *(Chief Executive Officer)*
Ms. Yan Yan *(President)*
Ms. Tong Ching Mau *(Chief Financial Officer)*
Mr. Yin Jie *(Senior Vice President)*

Independent non-executive Directors ("INEDs")
Dr. Ramin Khadem
Mr. Cha Mou Zing Victor
Mr. Yi Xiqun

In accordance with articles 87(1) and 87(2) of the Company's articles of association, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan and Mr. Yin Jie shall retire from office. Apart from Mr. Yin Jie, who did not offer himself for the re-election, other retiring Directors are eligible and have offered themselves for re-election at the forthcoming AGM.

Each of Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita has entered into a service contract with the Company for a term of three years commencing from 1 January 2014, which may be terminated by either party by serving not less than one month's prior written notice. Ms. Yan Yan has entered into a service contract with the Company for a term of three years commencing from 7 November 2012, which may be terminated by either party thereto giving to the other party not less than one month's prior written notice. Ms. Tong Ching Mau has entered into a service contract with the Company for a term of two years commencing from 1 January 2013, which may be terminated by either party thereto giving to the other party not less than one month's prior written notice. Mr. Yin Jie has entered into a service contract with the Company for a term of three years commencing from 22 October 2012, which may be terminated by either party thereto giving to the other party not less than one month's prior notice in writing.

Save as disclosed above, no Director standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors
Mr. Pan Shiyi
Chairman of the Board
Mr. Pan Shiyi, aged 50, is an executive Director and Chairman of the Board. Mr. Pan co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995. Since then he has led, together with his wife, Mrs. Pan Zhang Xin Marita, the development of all of the Company's projects. Before that, Mr. Pan co-founded Beijing Vantone Co., Ltd. in 1992.

Mr. Pan was selected as "Real Estate Person of the Year" by sina.com in 2009 and 2010, Ernst & Young Entrepreneur of the Year China 2008, one of the "Top Ten Influential Figures in Real Estate Industry" by sina.com in 2004 and 2006, one of the "25 most influential business leaders" in China by Fortune (China) Magazine in 2005. In 2011, Mr. Pan was selected again as "Real Estate Person of the Year" by sina.com and in 2012, he was selected as "China Real Estate Leader of the Year on Weibo" by sina.com. In June 2013, Mr. Pan was awarded the "Jury's special" of the 5th SEE-TNC Ecology Award. In December 2013, Mr. Pan was selected as "The Most Social Responsible Person in Real Estate" by Tencent.com.

Ms. Pan Zhang Xin Marita

Chief Executive Officer

Ms. Pan Zhang Xin Marita, aged 48, is an executive Director and the Chief Executive Officer of the Company. Ms. Zhang co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995 and has since led, together with her husband Mr. Pan Shiyi, the development of the Company's thirty projects.

Ms. Zhang was selected by the Davos World Economic Forum as a Young Global Leader in 2005, and her efforts to promoting the development of architecture in Asia, earned her the "Special Prize to an Individual Patron of Architectural Award" at la Biennale di Venezia in 2002. Ms. Zhang has been listed repeatedly among the world's most powerful women in business by publications including Forbes Magazine, Fortune and the Financial Times Newspaper. Recognized as a key opinion leader in business, design and architecture, Ms. Zhang sits on the Council on Foreign Relations Global Board of Advisors, the Harvard University Global Advisory Council, and she is the Chair of the Board for Teach for China.

Ms. Yan Yan

President

Ms. Yan Yan, aged 50, is an executive Director and the Company's President. She is responsible for the business development and overall management of the Company. Ms. Yan joined the Company in December 1996 and had acted as Chief Operating Officer and Chief Financial Officer prior to her present position. Ms. Yan received a Bachelor of Civil Engineering degree from Tianjin University in 1986. She has twenty years of relevant experience in the real estate development industry in China.

Ms. Tong Ching Mau

Chief Financial Officer

Ms. Tong Ching Mau, aged 43, is an executive Director and the Chief Financial Officer of the Company. Ms. Tong has been with the Company for over ten years. She acted as the director of corporate finance and investor relations and then financial controller prior to her promotion as the Chief Financial Officer. Ms. Tong is responsible for financial management, investor relations and corporate finance of the Company. Prior to joining the Company in 2002, she worked in the investment banking division of Credit Suisse First Boston in New York. She received a Master of Business Administration degree from Yale University, and a Master and a Bachelor degree of Economics from Fudan University in Shanghai.

Mr. Yin Jie

Senior Vice President

Mr. Yin Jie, aged 46, is an executive Director and the Company's Chief Architect. He joined the Company in 2009. Mr. Yin received his Bachelor degree from University of Washington in 1992 and is a registered architect in Washington State of the U.S. Prior to joining the Company, Mr. Yin practiced in a major U.S. architectural firm for 17 years.

Independent non-executive Directors

Dr. Ramin Khadem

Dr. Ramin Khadem, aged 68, is an independent non-executive Director. He is a member of the Board of Trustees of the International Space University, Strasbourg, France. He is a member of the board of the International Institute of Space Commerce, a member of the advisory board of ManSat Ltd., a company that serves the needs of the international space industry, as well as Near Earth L.L.C., an investment bank with a focus on the satellite, media and telecommunications clients and investors. He also serves on the board of Odyssey Moon Ltd, a lunar enterprise business. Dr. Khadem served as an executive director of Inmarsat Ventures Ltd. (formerly known as Inmarsat Ventures Plc.) ("Inmarsat") between October 2000 and July 2004, and also as an executive director of Inmarsat Group Holdings Ltd. between December 2003 and July 2004 where he was responsible for the overall financial management and performance of the Inmarsat Group. Since 1993, he had been acting as the Chief Financial Officer of Inmarsat. Before this, he had held several other posts in Inmarsat, including those of financial director, financial manager and executive officer. Dr. Khadem graduated from the University of Illinois with a Bachelor of Science degree in electrical engineering and from McGill University with an M.A. and Ph.D. degrees in Economics.

Mr. Cha Mou Zing Victor

Mr. Cha Mou Zing Victor, aged 63, is an independent non-executive Director. He is the Deputy Chairman and Managing Director of HKR International Ltd. (a company listed on the Stock Exchange, Stock Code 480) and an alternate independent non-executive director of New World Development Co., Ltd. (a company listed on the Stock Exchange, Stock Code 0017). Mr. Cha graduated from Stanford University with an MBA degree and University of Wisconsin with a Bachelor of Science degree.

Mr. Yi Xiqun

Mr. Yi Xiqun, aged 66, is an independent non-executive Director. Mr. Yi is Vice Chairman of China Association of Private Equity, Vice Chairman of Beijing Private Equity Association. From 1986 to 1987, he guided Economic Reform Office of Beijing Municipal People's Government, and was District Chief of Xicheng District in Beijing in 1987 to 1991. From 1991, he was assistant to the Mayor of Beijing, and at the same time, he was Director of Foreign Economy & Trade Committee in Beijing, as well as Director of Management Committee in Beijing Economic-Technological Development Area. In 1999, he successively assumed the Vice Chairman of the board of Beijing Enterprises Holdings Ltd., and Vice Chairman of Beijing Holdings Ltd.. In 2003, he became the Chairman of the Board of Beijing Enterprises Holdings Ltd, and both the Chairman and General Manager of Beijing Holdings Ltd.,. In Dec 2004, he became to serve as the Chairman of Beijing Enterprises Holdings Group Company Ltd., during which period, he also served as Chairman of Beijing Equity Investment Development Management Co., Ltd. Yi now serves as Vice Chairman of China Association of Private Equity, Vice Chairman of Beijing Private Equity Association, Non-executive Independent Director of Industrial and Commercial Bank of China Ltd., China Merchants Bank, China Merchants Securities, SOHO China Limited, Asian Capital Holdings Ltd., and Zheshangjinhui Trust Co.,Ltd, Vice President of China Association for the Promotion of Industrial Development and Member of Zhong Guancun Advisory Committee.

Senior Management

Ms. Ng Swen Dein

Chief Operating Officer

Ms. Ng Swen Dein, aged 49, is responsible for overall property management, internal management, hotel management and retail leasing. She joined the Company in 2010. Ms. Ng received her bachelor's degree in marketing management and finance from University of Wisconsin in 1987. Ms. Ng has 15 years of relevant experience in China's real estate industry including business management and property operations.

Mr. Wei Gu, Victor

Vice President and General Counsel

Mr. Wei Gu, Victor, aged 43, is responsible for legal affairs, compliance and risk management. He joined the Company in 2013. Mr. Gu received a Juris Doctor degree from the University of California, Los Angeles in 2002. Before joining the Company, Mr. Gu was a partner with a world-renowned international law firm.

Mr. Xu Qiang

Vice President

Mr. Xu Qiang, aged 41, is responsible for management of property development. He joined the Company in July 1999. Mr. Xu acted as the project manager, project director and president of construction department. During his 15 years of service in SOHO China, he has been in charge of project management of SOHO New Town, Jianwai SOHO, Guanghualu SOHO, Sanlitun SOHO and Wangjing SOHO. Mr. Xu received a bachelor of Heating Ventilation and Air Conditioning Engineering from Beijing Institute of Civil Engineering and Architecture.

Mr. Zhang Bin

Vice President

Mr. Zhang Bin, aged 39, is responsible for cost control and management of all the construction projects of the Company. Prior to joining the Company in September 2009, he had worked for professional quantity surveying firm as well as famous multi-national company with extensive construction cost estimate and control experiences across various sectors including commercial, office, residential and industrial. Mr. Zhang holds a degree of MSc for construction project management from the University of Hong Kong and a Bachelor degree in quantity surveying from Tongji University. He is also a qualified member of the Royal Institution of Chartered Surveyors.

Ms. Mok Ming Wai

Company Secretary

Ms. Mok Ming Wai, the company secretary of the Company. Ms. Mok was appointed as the company secretary of the Company on 20 December 2013. Ms. Mok is a director of KCS Hong Kong Ltd., she has over 18 years of professional and in-house experience in the company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the sole company secretary and joint company secretary of various publicly listed companies.

DIRECTORS' REMUNERATION

The Directors' remunerations are determined by the Board, as authorized by the 2013 AGM held on 14 May 2013, with reference to Directors' duties, responsibilities and performance as well as the financial results of the Group.

Remuneration details of each Director for the year 2013 are set out as follows:

2013	Directors' fees RMB'000	Allowances and benefits in kind RMB'000	Retirement Scheme contributions RMB'000	Sub-total RMB'000	Share-based Payments (Note (i)) RMB'000	Total RMB'000
Executive directors						
Pan Shiyi	240	6,039	37	6,316	–	6,316
Pan Zhang Xin Marita	240	5,336	–	5,576	–	5,576
Yan Yan	240	5,531	37	5,808	1,401	7,209
Tong Ching Mau	240	4,156	–	4,396	467	4,863
Yin Jie	240	4,282	37	4,559	607	5,166
Independent non-executive directors						
Ramin Khadem	297	–	–	297	–	297
Cha Mou Zing Victor	261	–	–	261	–	261
Yi Xiqun	261	–	–	261	–	261
Total	2,019	25,344	111	27,474	2,475	29,949

Note:

(i) These represent the fair value of awarded shares and share options granted to the Directors under the Employees' Share Award Scheme and the Share Option Scheme. The value of these awarded shares and share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 1(p)(ii) of the audited consolidated financial statements. Details of these benefits in kind, including the principal terms and number of awarded shares and share options granted, are disclosed in Note 27 of the audited consolidated financial statements.

During the Year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any remuneration during the Year.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration is determined with reference to the senior management's duties, responsibilities and performance as well as the financial results of the Group. During the Year, the remuneration of the 4 senior management was between the range from RMB1,500,000 per annum to RMB4,000,000 per annum.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the ordinary shares of the Company

Name	Personal interests	Family interests	Corporate interests	Number of ordinary shares	Approximate percentage of shareholding
Pan Shiyi	–	3,324,100,000 (L)	–	3,324,100,000 (L)	62.8354% (L)
Pan Zhangxin Marita	–	–	3,324,100,000 (L)	3,324,100,000 (L)	62.8354% (L)
Yan Yan	15,132,276 (L) (Note 2)	–	–	15,132,276 (L)	0.2860% (L)
Tong Ching Mau	566,221 (L)	–	–	566,221 (L)	0.0107% (L)
Yin Jie	632,198 (L)	–	–	632,198 (L)	0.0120% (L)
Ramin Khadem	300,000 (L)	–	–	300,000 (L)	0.0057% (L)

Notes:

(1) (L) represents the Directors' long position in shares or underlying shares.

(2) These are interests in the underlying shares, which include (i) options to subscribe for 8,184,000 shares granted on 6 November 2012 under the Share Option Scheme and (ii) 6,948,276 shares beneficially owned.

(ii) Interests in the ordinary shares of the Company's associated corporations

Name	Name of associated corporation	Nature of interest	Share capital (USD)	Approximate percentage of shareholding
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	interest of controlled corporation	1,275,000	4.25%
	Beijing SOHO Real Estate Co. Ltd.	beneficial owner	4,950,000	5.00%
	Beijing Redstone Newtown Real Estate Co. Ltd.	beneficial owner	500,000	5.00%
	Beijing Shanshi Real Estate Co., Ltd.	beneficial owner	1,935,000	5.00%
Yan Yan	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	interest of controlled corporation	225,000	0.75%

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2013, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
HSBC International Trustee Ltd. (Note 2)	trustee	3,325,491,500 (L)	62.8617% (L)
Capevale Ltd.	interests of controlled corporation	3,324,100,000 (L)	62.8354% (L)
Boyce Ltd. (Note 3)	interests of controlled corporation	1,662,050,000 (L)	31.4177% (L)
Capevale Ltd. (Note 4)	interests of controlled corporation	1,662,050,000 (L)	31.4177% (L)

Notes:

(1) (L) represents the shareholders' long position in shares or underlying shares.

(2) HSBC International Trustee Ltd. (in its capacity as the trustee of the trust) is the legal owner of 100% of the shares in the issued share capital of Capevale Ltd., a company incorporated in the Cayman Islands. HSBC International Trustee Ltd. held 3,325,491,500 shares under the trust for the benefit of the beneficiaries of the trust, including Mrs. Pan Zhang Xin Marita. Boyce Ltd., which is incorporated in the British Virgin Islands held 1,662,050,000 shares. Capevale Ltd., which is incorporated in the British Virgin Islands held 1,662,050,000 shares of the Company's shares.

(3) Boyce Ltd., incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Ltd., a company incorporated in the Cayman Islands.

(4) Capevale Ltd., incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Ltd., a company incorporated in the Cayman Islands.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2013, none of any person who had interest or short position in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2013.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report, no contracts of significance, in relation to the Group's business to which the Company or any of its subsidiaries was a party 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Company's prospectus dated 21 September 2007, as at 31 December 2013, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in the sections headed "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable any Directors to acquire such rights in any other body corporate.

EMPLOYEES' SHARE AWARD SCHEME

The Company adopted the Employees' Share Award Scheme on 23 December 2010. The purpose of the Employees' Share Award Scheme is to recognize the contributions by certain employees of the Group and to give incentives to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

During the Year, the trustee of the Employees' Share Award Scheme pursuant to the terms of the rules and trust deed of the Employees' Share Award Scheme, purchased on the Stock Exchange a total of 230,500 shares of the Company at a total consideration of approximately HKD1,523,489. During the Year, 1,428,500 shares were granted to the employees including Directors under the Employees' Share Award Scheme.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 14 September 2007, which shall be valid and effective for a period of ten years commencing from 14 September 2007. The purpose of the Share Option Scheme is to provide the participants who have been granted options (the "Options") under the Share Option Scheme to subscribe for shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company for the benefit of the Company and shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Share Option Scheme, the Board may make an offer to (i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and officers of any member of the Group and (ii) any advisers, consultants, agents, business partners, joint venture business partners and service providers of any member of the Group (collectively, the "Business Associate"), as the Board may in its absolute discretion select, to take up Options (collectively the "Participants"). The amount payable by a Participant upon acceptance of a grant of Options is HKD1.00.

Unless approved by the shareholders of the Company, the total number of shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) under the Share Option Scheme and any other share option scheme adopted by the Company in any twelve-month period must not exceed 1% of the shares in issue. Any further grant of Options which would result in the number of shares issued as aforesaid exceeding the said 1% limit will be subject to prior shareholders' approval with the relevant Participant and his associates (as defined in the Listing Rules) abstaining from voting. The period within which the Options may be exercised shall expire no later than ten years from the relevant date on which the offer of the grant of an Option is made to a Participant.

The subscription price of any Option granted under the Share Option Scheme may be determined by the Directors provided that it shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the offer date; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the offer date; and (iii) the nominal value of a share on the date of grant.

As at 31 December 2013, options carrying the rights to subscribe for 8,229,000 shares (Note 2b(c)(iv)) (31 December 2012: 11,090,000 shares) representing 0.15% (31 December 2012: 0.22%) of the issued share capital of the Company, remained outstanding and options carrying the rights to subscribe for 303,000 shares (2012: 523,000 shares) were lapsed during the Year.

Details of the Options granted under the Share Option Scheme and remain outstanding as at 31 December 2013 are as follows:

		Number of Options					
Name and class of grantees	Date of grant	Outstanding as at 1 January 2013	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 31 December 2013
(1) Directors							
Yan Yan	30 January 2008 (Note 1)	901,000	–	901,000	–	–	–
	6 November 2012 (Note 3)	8,184,000	–	–	–	–	8,184,000
Tong Ching Mau	30 January 2008 (Note 1)	223,000	–	223,000	–	–	–
(2) Other employees	30 January 2008 (Note 1)	1,482,000	–	1,134,000	–	303,000	45,000
Other employees	30 June 2008 (Note 2)	300,000	–	300,000	–	–	–
Total		**11,090,000**	**–**	**2,558,000**	**–**	**303,000**	**8,229,000**

Notes:

(1) Details of Options:

Number of Options granted	Exercise period	Exercise price per share HKD	Closing price per share immediately prior to the grant date HKD
7,259,000	30 January 2009 to 29 January 2014*	6.10	5.87

(2) Details of Options:

Number of Options granted	Exercise period	Exercise price per share HKD	Closing price per share immediately prior to the grant date HKD
1,080,000	30 June 2009 to 29 June 2014**	4.25	4.34

(3) Details of Options:

Number of Options granted	Exercise period	Exercise price per share HKD	Closing price per share immediately prior to the grant date HKD
8,184,000	6 November 2013 to 5 November 2022***	5.53	5.67

* The Options granted on 30 January 2008 are exercisable from the commencement of the exercise periods until the expiry of the Options which is on 29 January 2014. One-third of such Options are exercisable after the expiry of the first year from the date of grant, a further one-third is exercisable after the expiry of second year from the date of grant, and the remaining one-third is exercisable after the expiry of third year from the date of grant.

** The Options granted on 30 June 2008 are exercisable from the commencement of the exercise periods until the expiry of the Options which is on 29 June 2014. One-third of such Options are exercisable after the expiry of the first year from the date of grant, a further one-third is exercisable after the expiry of second year from the date of grant, and the remaining one-third is exercisable after the expiry of third year from the date of grant.

*** The Options granted on 6 November 2012 are exercisable from the commencement of the exercise period until the expiry of the Options which is on 5 November 2022. One-tenth of such Options are exercisable after the expiry of the first six years from the date of grant on an annual basis, and the remaining two-fifths of the option are exercisable after the expiry of the seventh year from the date of grant.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted a Pre-IPO Share Option Scheme on 14 September 2007 and such scheme was expired on 7 October 2013. Under the Pre-IPO share option scheme, the Company has granted a total of 12,058,000 options. As at 1 January 2013, 5,481,660 options were outstanding and all of them were lapsed in 2013.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2013, the percentage of sales of the Group to the Group's five largest customers amounted to less than 30%.

For the year ended 31 December 2013, the percentage of purchases by the Group for the Year attributable to the Group's five largest suppliers amounted to 34.5%, and the Group's largest supplier accounted for 15.0%.

So far as the Board is aware, neither the Directors, their associates nor any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers during the Year.

CHARITABLE DONATIONS

In 2013, the Group contributed approximately RMB10 million to various charities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had been in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period.

MATERIAL LEGAL PROCEEDINGS

Except for the information related to the Bund 8–1 Land project disclosed in the section headed "Contingent Liabilities" of this report, to the knowledge of the Directors, there was no material legal proceeding during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased on the Stock Exchange a total of 264,861,000 Shares at a total consideration of approximately HKD1,697,921,018. Details of the repurchase are set out in the table below. All the Shares repurchased had been cancelled. In addition, the trustee of the employees' share award scheme which was adopted by the Company on 23 December 2010 (the "Employees' Share Award Scheme"), pursuant to the terms of the rules and trust deed of the Employees' Share Award Scheme, purchased on the Stock Exchange a total of 230,500 Shares at a total consideration of approximately HKD1,523,489. Other than the aforesaid, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the Year.

Month of Repurchase	Number of Shares Repurchased	Price Paid Per Share		Total Consideration* (HK$)
		Highest Price HK$	Lowest Price HK$	
January 2013	47,745,500	6.99	6.16	308,441,455
March 2013	45,705,000	6.54	5.98	286,184,439
April 2013	16,243,500	6.85	6.45	108,092,809
May 2013	56,531,000	7.00	6.43	381,741,088
June 2013	66,756,000	6.68	5.70	411,487,539
July 2013	31,880,000	6.70	6.14	201,973,687
Total	**264,861,000**	**7.00**	**5.70**	**1,697,921,018**

* Expenses such as commission and transaction fee not included.

AUDITOR

At the conclusion of the 2013 annual general meeting of the Company held on 14 May 2013, KPMG retired as auditor of the Company and PricewaterhouseCoopers was appointed as new auditor of the Company to hold office until the conclusion of the 2014 annual general meeting ("2014 AGM").

The consolidated financial statements of the Group for the Year have been audited by PricewaterhouseCoopers ("PWC"). A resolution for the re-appointment of PWC as auditors of the Company for the next financial year will be proposed at the forthcoming 2014 AGM.

On behalf of the Board
Pan Shiyi
Chairman
Hong Kong
4 March 2014

CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transaction (the "Transaction") with connected persons of the Company within the meaning of the Listing Rules. Details of the Transaction has been described in the prospectus of the public offering of the Company's shares dated 21 September 2007 (the "Prospectus") under the heading "Relationship with Our Controlling Shareholders and Founders". The status of the Transaction of the Group as at 31 December 2013 and for the year then ended is set out below:

Continuing connected transaction for which waiver had been sought from strict compliance with the announcement requirements under Rule 14A.47 of the Listing Rules:

Property purchase contracts between Beijing Hongyun Co., Ltd. and Beijing ZhongHongTian Real Estate Co., Ltd. ("ZhongHongTian"). As disclosed in the Prospectus, the outstanding amounts from the above contracts were in aggregate RMB3,916,128 as at 24 July 2007, 50% of which should be repayable on 30 June 2008 and the remaining 50% should be repayable on 31 December 2008. The outstanding amount bore an interest at the People's Bank of China's ("PBOC") lending rate till the repayment dates, i.e. 30 June 2008 and 31 December 2008, respectively. As at 31 December 2013, the balance of RMB3,916,128 remained outstanding and interests receivable of RMB498,210 thereon was recorded.

The independent non-executive Directors have reviewed the Transaction during the Year and confirmed that the Transaction have been entered into:

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

(ii) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the Company has engaged its auditor to perform procedures and report their findings regarding the Transaction entered into by the Group set out above for the year ended 31 December 2013. The auditor has issued a letter containing their findings and conclusions in respect of the Transaction set out above and a copy has been provided to the Stock Exchange. The Company confirms it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and safeguarding the interests of the shareholders of the Company. The Company has adopted sound governance and disclosure practices, and is committed to continuously improve these practices and inculcate an ethical corporate culture.

In the opinion of the Directors, the Company had been in compliance with the code provisions of the Corporate Governance Code during the Year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Under the leadership of the Chairman, the Board is also responsible for approving and overseeing the overall strategies and policies of the Company, approving the annual budget and business plans, assessing the Company's performance and supervising the work of the senior management.

The running of the day-to-day businesses of the Company is delegated by the Board to the management who is working under the leadership and supervision of the Board committees except that authority is reserved for the Board to approve interim and annual financial statements, dividend policy, annual budgets, business plan and significant operational matters.

The Board currently comprises eight Directors, including five executive Directors, namely Mr. Pan Shiyi (Chairman), Mrs. Pan Zhang Xin Marita (Chief Executive Officer), Ms. Yan Yan, Ms. Tong Ching Mau and Mr. Yin Jie; and three independent non-executive Directors, namely Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun (Details of their biographical information are set out in the section headed "Biographies of Directors and members of senior management" of this report).

Regular Board meetings are held at least four times a year (at quarterly intervals) and any ad hoc meeting will be held when necessary. At least fourteen days notice will be given to all the Directors prior to any Board meeting and any relevant materials to be presented to a Board meeting will be provided to Directors at least three days before such Board meeting. The Directors are appointed by shareholders of the Company through ordinary resolutions or appointed by the Board to fill any existing vacancies on the Board or for new additions to the Board. At each AGM, one-third (or, if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being shall retire from office by rotation but are eligible for re-election and re-appointment.

The Chairman of the Board, Mr. Pan Shiyi, is the husband of Mrs. Pan Zhang Xin Marita, an executive Director and the Chief Executive Officer. Except for disclosed above, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Board is established in accordance with the provisions of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise and the number of independent non-executive Directors representing at least one-third of the Board.

The Board's composition demonstrates a balance of core competence with regard to the business of the Company, so as to provide effective leadership and the required expertise to the Company.

Liability insurance for Directors and senior management officers was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita respectively with clear distinction in responsibilities. The Chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure the issues raised at the Board meetings are explained appropriately. The Chief Executive Officer is responsible for the day-to-day management of the business of the Company, implementation of the policies, business objectives and plans set by the Board and is accountable to the Board for the overall operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the code provisions, each independent non-executive Director has a specific term of service and subject to re-election. Each of the independent non-executive Directors has renewed their appointment letters with the Company for a term commencing from 1 April 2013 to 31 March 2014.

Pursuant to the guidelines provided in Rule 3.13 of the Listing Rules, the Company has received the confirmation of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent persons. The Board believes that the independent non-executive Directors are able to offer independent opinions on the Company's development strategy, risk management and management process, etc. so that the interests of the Company and all shareholders will be taken into consideration and duly safeguarded.

BOARD MEETINGS

During the Year, six Board meetings were held and below is the attendance of each of the Directors at Board meetings:

Directors	Attendance/No. of Meetings
Executive Directors	
Pan Shiyi	5/6
Pan Zhang Xin Marita	5/6
Yan Yan	6/6
Tong Ching Mau	6/6
Yin Jie	5/6
Independent non-executive Directors	
Ramin Khadem	4/6
Cha Mou Zing Victor	4/6
Yi Xiqun	4/6

During the Board meetings, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company.

PROVISION AND USE OF INFORMATION

- Minutes of all Board meetings and meetings of the Board committees are kept by designated secretaries, and will be available for inspection by any Director after giving reasonable notice.
- All Directors are entitled to receive advice and services from the Company Secretary to ensure due compliance with the terms of reference of the Board.
- Directors may have recourse to seek independent advice from professionals as appropriate and such fees incurred shall be borne by the Company.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun. The committee is chaired by Dr. Ramin Khadem, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The audit committee is authorized by the Board to review the relevant financial reports and to give recommendations and advices, its duties include:

1. **Relationship with the Company's auditors**
   The duty to make recommendations to the Board on the appointment, reappointment or removal of external auditor(s); to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; to develop and implement policies on the engagement of the external auditor for providing audit services; to meet with the external auditor and discuss matters relating to the audit, if necessary, in the absence of the management of the Company.

2. **Review of financial information of the Company**
   The duty to monitor the integrity of financial statements of the Company set out in the Company's annual reports and accounts and the half-yearly reports, and to review any significant views of financial reporting contained in them.

3. **Monitor the Company's financial reporting system and internal control procedures**
   Each of the Company's operational departments has established internal audit and supervisory functions for its operating procedures. The audit committee will also review the financial control, internal control and risk management systems to ensure adequate resources, including that sufficient staff with qualifications and experience in accounting and financial reporting, as well as training programs and budgets are allocated to operate the internal control procedures effectively.

   In 2013, two meetings were held by the audit committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meetings
Ramin Khadem *(Chairman)*	2/2
Cha Mou Zing Victor	2/2
Yi Xiqun	2/2

The audit committee had reviewed the internal audit plan report submitted by the internal audit department and recommended the Board on risk and internal control matters. The audit committee has also reviewed the adequacy of resources, the interim results for the period ended 30 June 2013 and the audited consolidated annual results of the Company for the year ended 31 December 2013 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

The audit committee has reviewed the auditor's fee for the year 2013, and recommended the Board to re-appoint PricewaterhouseCoopers as the auditors of the Company for the year 2014, which is subject to the approval of shareholders at the forthcoming AGM.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive Directors, namely Mr. Cha Mou Zing Victor, Dr. Ramin Khadem, and Mr. Yi Xiqun. The committee is chaired by Mr. Cha Mou Zing Victor. The remuneration committee is mainly responsible for determining remuneration packages of individual executive Director and senior management of the Company, appraising the performance of the executive Directors and senior management of the Company and making recommendations for their remuneration arrangements, as well as for assessing and making recommendations for staff benefits to the Board.

During the Year, one meeting was held by the remuneration committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Cha Mou Zing Victor *(Chairman)*	1/1
Ramin Khadem	1/1
Yi Xiqun	1/1

A complete record of the minutes of the remuneration committee meetings is kept by the Company Secretary. The remuneration committee had reviewed the Company's remuneration policies, the terms of the service contracts and the performance of all executive Directors and the senior management. In the opinion of the remuneration committee, the remuneration payable to all executive Directors and the senior management is in accordance with the terms of the service contracts, such remuneration is fair and reasonable, and does not create any additional burden for the Company.

Remuneration details of each Director for the Year are set out in the section headed "Directors' remuneration" of the Directors' Report and the Note 6 to the audited consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee comprises two independent non-executive Directors and one executive Director, namely Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mrs. Pan Zhang Xin Marita. The committee is chaired by Mr. Cha Mou Zing Victor. Details of the authorities and duties of the nomination committee are set out in its terms of reference. Its roles are highlighted as follows:

(1) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

(2) identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) assess the independence of the independent non-executive Directors ("INEDs");

(4) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and chief executive of the Company;

(5) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable law; and

(6) ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

During the Year, one meeting was held by the nomination committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Cha Mou Zing Victor *(Chairman)*	1/1
Pan Zhangxin Marita	1/1
Ramin Khadem	1/1

The nomination committee has discussed the structure, number of employees and composition of the Company.

PROCEDURE FOR NOMINATION OF DIRECTORS

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an INED).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

CRITERIA FOR NOMINATION OF DIRECTORS

1. Common criteria for all Directors

(a) Character and integrity.

(b) The willingness to assume board fiduciary responsibility.

(c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs.

(d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company.

(e) Significant business or public experience relevant and beneficial to the Board and the Company.

(f) Breadth of knowledge about issues affecting the Company.

(g) Ability to objectively analyse complex business problems and exercise sound business judgment.

(h) Ability and willingness to contribute special competencies to Board activities.

(i) Fit with the Company's culture.

2. Criteria applicable to non-executive Directors/INEDs

(a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings.

(b) Accomplishments of the candidate in his/her field.

(c) Outstanding professional and personal reputation.

(d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules.

BOARD DIVERSITY POLICY

The Company adopted the Board Diversity Policy ("Policy") on 20 August 2013.

The Policy sets out the approach to achieve diversity on the Board of directors of the Company, the details of which are set out below.

Policy Statement

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor.

The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of having a diverse Board. The Company believes that a diversity of perspectives can be achieved through taking into account a range of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company sees promoting diversity of perspectives at the Board level as an essential element in supporting the achievement of its business and strategic objectives and maintaining its sustainable development.

Measurable Objectives

The nomination committee has primary responsibility for identifying qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to this Policy. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

COMPLIANCE COMMITTEE

The compliance committee comprises two independent non-executive Directors, one executive Director and one member of the senior management, namely Mr. Yi Xiqun, Dr. Ramin Khadem, Mrs. Pan Zhang Xin Marita and Mr. Gu Wei. The committee is chaired by Mr. Yi Xiqun. The Board has authorised the compliance committee to determine the policy for the corporate governance of the Company.

The main responsibility of the compliance committee is as follows:

(1) assisting the Company carrying out its responsibilities as required by all applicable laws and regulations of the PRC, Hong Kong, Cayman Islands and any other jurisdictions as may be applicable, including but not limited to the Listing Rules;

(2) conducting investigations on compliance matters as delegated by the Board or on its own initiative, and considering any finding;

(3) reviewing and making proposals for improving the internal control procedures of the Company;

(4) overseeing the maintenance, development and enhancement of the internal control framework of the Company;

(5) reviewing and monitoring the compliance and internal control environment of the Group, and devise mechanism and procedures;

(6) making recommendations to the Board to improve the compliance environment and effectiveness of internal control of the Group;

(7) reviewing the Company's policies and practices on corporate governance and the regular reports prepared by the internal control manager of the Company to the Board and requesting the internal control manager to prepare specific reports on particular issues; and

(8) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors.

During the Year, one meeting was held by the compliance committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Yi Xiqun *(Chairman)*	1/1
Ramin Khadem	1/1
Pan Zhang Xin Marita	0/1
Gu Wei (appointed on 20 December 2013)	0/0

During the Year, the compliance committee discussed about various operational issues and relevant initiatives adopted by the management to address such issues, reviewed work summary report of the internal audit department and the 2013 internal audit plan.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for supervising the preparation of the annual accounts, which give a true and fair view of the state of affairs, the operating results and the cash flows of the Group for the year. In preparing the accounts for the year ended 31 December 2013, the Directors have selected suitable accounting policies and adopted appropriate accounting standards. Based on judgments and estimates that are prudent and reasonable, the Directors had ensured that the accounts are prepared on the going concern basis. The Directors have confirmed that the consolidated financial statements of the Group are prepared in compliance with the statutory requirements and appropriate standards of accounting.

INTERNAL CONTROL

The Board has the responsibility to maintain and review the Group's internal control system to ensure the Company's assets and shareholders' interests are safeguarded. The Board also reviews the internal control and risk management systems to ensure their effectiveness.

The Company has set up an internal audit department, which is an important part of its internal control system.

In 2013, the internal audit department reviewed the internal control of the important processes and these ensured a sound and effective internal control system.

The internal audit department did special audit on budgeting of important operation units and business procedure. It also worked on financial monitoring, operation monitoring, compliance monitoring and risk management.

The Board is responsible for the internal control system of the Company and conducts regular reviews on the effectiveness of the system through the internal audit department. The Board considers that, during the Period, the existing internal control system has been operating in a healthy and effective manner in the finance, operation, compliance and risk management aspects.

AUDITORS' REMUNERATION

PwC is the independent external auditor of the Company. The remuneration amounts paid and payable by the Company to PwC for their services rendered for the year ended 31 December 2013 are set out below:

Services rendered	Fees paid/payable
Audit services for 2013	RMB3,70 million
Non-audit services:	
Hong Kong and Macau tax compliance service	RMB0.17 million

EFFECTIVE COMMUNICATION WITH THE INVESTMENT COMMUNITY

The Company attaches a great importance to the effective and close communication with investors. The investor relations team of the Company seeks to provide the most efficient and effective channel for our shareholders, bondholders and the investment community to gain information about the Company. In addition to the regular interim and annual result announcement and daily communicates through emails and phone calls, the investor relations team also take frequent and active participant in global investment conferences.

During the Year, we attended fifteen global investor conferences and corporate day in Hong Kong, Singapore, Shanghai and Beijing. In March and August, the Company arranged roadshow to visit over 300 investors from about 200 institutions spreading across the United States, the United Kingdom, Singapore and Hong Kong.

During the Year, the Company held an annual general meeting on 14 May 2013 ("2013 AGM") and below is the attendance of each Director:

	Attendance/No. of Meeting
Executive Directors	
Mr. Pan Shiyi	1/1
Mrs. Pan Zhang Xin Marita	0/1
Ms. Yan Yan	0/1
Ms. Tong Ching Mau	1/1
Mr. Yin Jie	0/1
Independent Non-executive Directors	
Dr. Ramin Khadem	1/1
Mr. Cha Mou Zing Victor	0/1
Mr. Yi Xiqun	0/1

The 2013 AGM provided an ideal chance for communication between the Board and the shareholders. The chairmen of the Board and the audit committee and the external auditor were all present at the 2013 AGM to answer shareholders' inquiries.

COMPANY SECRETARY

The Company engages Ms. Mok Ming Wai, a director of KCS Hong Kong Ltd., as its company secretary. Her primary corporate contact person at the Company is Ms. Tong Ching Mau, the executive Director and chief financial officer of the Company. In compliance with rule 3.29 of the Listing Rules, Ms. Mok, has undertaken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting and putting forward proposals

Under 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 (1/10) of the paid up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to convene and put forward proposals at an EGM are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong situated at 8/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong for the attention of the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, the Directors do not proceed to convene an EGM, the requisitionists themselves may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, 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.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to ir@sohochina.com.

Amendments to the Company's memorandum and articles of association

There was no significant change in the Company's constitutional documents during the Year.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his or her first appointment in order to enable he/she has appropriate understanding of the business and operations of the Company that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All the Directors namely Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan, Ms. Tong Ching Mau, Mr. Yin Jie, Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun were provided with weekly commentary on the Group's business, operations, and financial matters as well as regulatory updates on applicable legal and regulatory requirements. In addition, all Directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancements of their professional development by way of attending training courses or via on-line aids or reading relevant materials.

CORPORATE INFORMATION

Executive Directors	Pan Shiyi *(Chairman)* Pan Zhang Xin Marita *(Chief Executive Officer)* Yan Yan Tong Ching Mau Yin Jie
Independent non-executive Directors	Ramin Khadem Cha Mou Zing, Victor Yi Xiqun
Company Secretary	Mok Ming Wai
Members of the Audit Committee	Ramin Khadem *(Chairman)* Cha Mou Zing, Victor Yi Xiqun
Members of the Remuneration Committee	Cha Mou Zing, Victor *(Chairman)* Ramin Khadem Yi Xiqun
Members of the Nomination Committee	Cha Mou Zing, Victor *(Chairman)* Pan Zhang Xin Marita Ramin Khadem
Members of the Compliance Committee	Yi Xiqun *(Chairman)* Ramin Khadem Pan Zhang Xin Marita Gu Wei
Authorised Representatives	Pan Zhang Xin Marita Mok Ming Wai
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China

Principal Place of Business in Hong Kong	8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Ltd. 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Ltd. Shops 1712–1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong Legal Advisors	Stephenson Harwood 18th Floor, United Centre 95 Queensway Hong Kong
Auditors	PricewaterhouseCoopers 22/F, Prince's Building 10 Chater Road Central, Hong Kong
Principal Banker	Bank of China Corporation Ltd. China CITIC Bank Corporation Ltd. China Merchants Bank Corporation Ltd. China Minsheng Banking Corp., Ltd. The Hong Kong and Shanghai Banking Corporation Ltd. Industrial and Commercial Bank of China (Macau) Ltd. Standard Chartered Bank (Hong Kong) Ltd.
Website address	www.sohochina.com
Stock Code	410

INDEPENDENT AUDITOR'S REPORT

To the shareholders of SOHO China Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of SOHO China Limited (the 'Company') and its subsidiaries (together, the 'Group') set out on pages 3 to 88, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 4 March 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000 (Restated, Note 2(c) and Note 4)
Turnover	*2*	**14,621,436**	16,142,984
Cost of sales		**(6,507,677)**	(7,136,294)
Gross profit		**8,113,759**	9,006,690
Valuation gains on investment properties	*10*	**4,220,199**	9,604,777
Other revenue and income		**302,492**	442,170
Selling expenses		**(372,880)**	(326,970)
Administrative expenses		**(348,039)**	(254,094)
Other operating expenses		**(126,868)**	(151,885)
Profit from operations		**11,788,663**	18,320,688
Financial income	*3(a)*	**807,202**	432,516
Financial expenses	*3(a)*	**(125,480)**	(558,432)
Profit before taxation	*3*	**12,470,385**	18,194,772
Income tax	*5(a)*	**(5,034,304)**	(7,547,921)
Profit for the year		**7,436,081**	10,646,851
Attributable to:			
Equity shareholders of the Company		**7,388,049**	10,584,876
Non-controlling interests		**48,032**	61,975
Profit for the year		**7,436,081**	10,646,851
Earnings per share (RMB per share)	*9*		
Basic		**1.492**	2.051
Diluted		**1.404**	1.897

The notes on pages 13 to 88 are an integral part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 26(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013
(Expressed in Renminbi)

	Note	**2013** **RMB'000**	2012 RMB'000
Profit for the year		**7,436,081**	10,646,851
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations	*26(d)(iii)*	**266,965**	(153)
Total comprehensive income for the year		**7,703,046**	10,646,698
Attributable to:			
Equity shareholders of the Company		**7,655,014**	10,584,723
Non-controlling interests		**48,032**	61,975
Total comprehensive income for the year		**7,703,046**	10,646,698

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Investment properties	*10*	**48,728,000**	38,310,000
Property and equipment	*11*	**672,523**	682,084
Bank deposits	*19*	**124,699**	137,647
Interest in joint ventures	*13*	**4,088,032**	4,065,532
Deferred tax assets	*15(b)*	**2,197,318**	2,009,795
		55,810,572	45,205,058
Current assets			
Properties under development and completed properties held for sale	*16*	**8,586,751**	10,048,137
Deposits and prepayments	*17*	**2,218,668**	2,599,287
Trade and other receivables	*18*	**682,152**	662,937
Bank deposits	*19*	**396,601**	2,353,429
Cash and cash equivalents	*20*	**10,128,281**	19,708,723
		22,012,453	35,372,513
Current liabilities			
Bank loans	*21*	**2,760,194**	3,922,219
Sales deposits	*22*	**3,112,341**	8,896,083
Trade and other payables	*23*	**3,586,042**	2,657,017
Taxation	*15(a)*	**9,792,825**	9,571,246
		19,251,402	25,046,565
Net current assets		**2,761,051**	10,325,948
Total assets less current liabilities		**58,571,623**	55,531,006

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

at 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Bank loans	*21*	**8,285,990**	10,791,280
Convertible bonds	*24*	**–**	2,092,476
Senior notes	*25*	**6,024,175**	6,198,433
Contract retention payables		**472,304**	660,189
Deferred tax liabilities	*15(b)*	**5,299,910**	4,078,166
Derivative financial instruments	*14*	**3,449**	–
		20,085,828	23,820,544
NET ASSETS		**38,485,795**	31,710,462
CAPITAL AND RESERVES	*26*		
Share capital		**107,868**	106,029
Reserves		**37,352,740**	30,593,478
Total equity attributable to equity shareholders of the Company		**37,460,608**	30,699,507
Non-controlling interests		**1,025,187**	1,010,955
TOTAL EQUITY		**38,485,795**	31,710,462

Approved and authorised for issue by the board of directors on 4 March 2014.

Directors
Pan Shiyi　　　　Pan Zhang Xin Marita

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

BALANCE SHEET

at 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000 (Restated, Note 18)
Non-current assets			
Investments in subsidiaries	*12*	**294,423**	294,423
Amount due from subsidiaries	*18*	**1,258,273**	1,211,283
		1,552,696	1,505,706
Current assets			
Trade and other receivables	*18*	**15,919,629**	14,327,992
Bank deposits	*19*	**–**	195,310
Cash and cash equivalents	*20*	**1,179,157**	9,314,175
		17,098,786	23,837,477
Current liabilities			
Bank loans	*21*	**–**	2,432,219
Other payables		**84,792**	122,769
Amounts due to subsidiaries		**783,272**	1,121,036
		868,064	3,676,024
Net current assets		**16,230,722**	20,161,453
Total assets less current liabilities		**17,783,418**	21,667,159
Non-current liabilities			
Bank loans	*21*	**5,681,759**	5,456,313
Convertible bonds	*24*	**–**	2,092,476
Senior notes	*25*	**6,024,175**	6,198,433
Derivative financial instruments		**3,449**	–
		11,709,383	13,747,222
NET ASSETS		**6,074,035**	7,919,937

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

at 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000 (Restated, Note 18)
CAPITAL AND RESERVES	*26*		
Share capital		**107,868**	106,029
Reserves		**5,966,167**	7,813,908
TOTAL EQUITY		**6,074,035**	7,919,937

Approved and authorised for issue by the board of directors on 4 March 2014.

Directors
Pan Shiyi　　Pan Zhang Xin Marita

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	General reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012		107,502	11,430,770	(26,300)	867	561,412	(643,292)	189,527	447,184	9,655,093	21,722,763	1,494,859	23,217,622
Profit for the year		–	–	–	–	–	–	–	–	10,584,876	10,584,876	61,975	10,646,851
Other comprehensive income		–	–	–	–	–	(153)	–	–	–	(153)	–	(153)
Profit and total comprehensive income		–	–	–	–	–	(153)	–	–	10,584,876	10,584,723	61,975	10,646,698
Repurchase of own shares	*26(c)(ii)*												
– Par value paid		(1,476)	–	(362)	–	–	–	–	–	–	(1,838)	–	(1,838)
– premium paid		–	(317,853)	(108,770)	–	–	–	–	–	–	(426,623)	–	(426,623)
– transfer between reserves		–	(1,476)	–	1,476	–	–	–	–	–	–	–	–
Treasury shares	*26(c)(iii)*	–	–	(17,625)	–	–	–	–	–	–	(17,625)	–	(17,625)
Dividends approved in respect of the previous year	*26(b)(ii)*	–	(570,056)	–	–	–	–	–	–	–	(570,056)	–	(570,056)
Dividends declared in respect of the current year	*26(b)(i)*	–	(618,918)	–	–	–	–	–	–	–	(618,918)	–	(618,918)
Shares issued under the employees' share option schemes	*26(c)(i)*	3	763	–	–	(178)	–	–	–	–	588	–	588
Employees' share award scheme	*28(b)*	–	–	–	–	4,328	–	–	–	–	4,328	–	4,328
Employees' share option schemes	*28(a)*	–	–	–	–	196	–	–	–	–	196	–	196
Vesting of shares under employees' share award scheme	*28(b)*	–	52	960	–	(1,012)	–	–	–	–	–	–	–
Transfer to general reserve fund	*26(d)(v)*	–	–	–	–	–	–	–	52,622	(52,622)	–	–	–
Acquisition of non-controlling interests without a change in control		–	–	–	–	–	–	–	–	21,969	21,969	(576,879)	(554,910)
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	31,000	31,000
Balance at 31 December 2012		106,029	9,923,282	(152,097)	2,343	564,746	(643,445)	189,527	499,806	20,209,316	30,699,507	1,010,955	31,710,462

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

for the year ended 31 December 2013
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	General reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		106,029	9,923,282	(152,097)	2,343	564,746	(643,445)	189,527	499,806	20,209,316	30,699,507	1,010,955	31,710,462
Profit for the year		–	–	–	–	–	–	–	–	7,388,049	7,388,049	48,032	7,436,081
Other comprehensive income		–	–	–	–	–	266,965	–	–	–	266,965	–	266,965
Profit and total comprehensive income		–	–	–	–	–	266,965	–	–	7,388,049	7,655,014	48,032	7,703,046
Repurchase of own shares	*26(c)(ii)*												
– Par value paid		(5,561)	–	432	–	–	–	–	–	–	(5,129)	–	(5,129)
– premium paid		–	(1,469,341)	108,700	–	–	–	–	–	–	(1,360,641)	–	(1,360,641)
– transfer between reserves		–	(5,561)	–	5,561	–	–	–	–	–	–	–	–
Treasury shares	*26(c)(iii)*	–	–	(1,212)	–	–	–	–	–	–	(1,212)	–	(1,212)
Dividends approved in respect of the previous year	*26(b)(ii)*	–	(642,776)	–	–	–	–	–	–	–	(642,776)	–	(642,776)
Dividends declared in respect of the current year	*26(b)(i)*	–	(581,253)	–	–	–	–	–	–	–	(581,253)	–	(581,253)
Shares issued under the employees' share option schemes	*26(c)(i)*	41	15,671	–	–	(3,729)	–	–	–	–	11,983	–	11,983
Employees' share award scheme	*28(b)*	–	–	–	–	7,533	–	–	–	–	7,533	–	7,533
Employees' share option schemes	*28(a)*	–	–	–	–	1,266	–	–	–	–	1,266	–	1,266
Vesting of shares under employees' share award scheme	*28(b)*	–	559	4,245		(4,804)	–	–	–	–	–	–	–
Transfer to general reserve fund	*26(d)(v)*	–	–	–	–	–	–	–	25,141	(25,141)	–	–	–
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(33,800)	(33,800)
Conversion of convertible bonds		7,359	2,186,801	–	–	(390,469)	–	–	–	–	1,803,691	–	1,803,691
Repurchase of convertible bonds		–	–	–	–	(123,926)	–	–	–	–	(123,926)	–	(123,926)
Hedging		–	–	–	–	(3,449)	–	–	–	–	(3,449)	–	(3,449)
Balance at 31 December 2013		107,868	9,427,382	(39,932)	7,904	47,168	(376,480)	189,527	524,947	27,572,224	37,460,608	1,025,187	38,485,795

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013
(Expressed in Renminbi)

	2013 RMB'000	2012 RMB'000
Operating activities		
Profit before taxation	**12,470,385**	18,194,772
Adjustments for:		
Valuation gains on investment properties	**(4,220,199)**	(9,604,777)
Depreciation	**29,215**	22,934
Financial income	**(674,222)**	(432,516)
Interest expense	**108,128**	534,353
Net foreign exchange (gain)/loss	**(132,980)**	4,777
Impairment losses recognised for trade and other receivables	**60,914**	15,114
Loss on sale of property and equipment	**–**	364
Loss on repurchase of convertible bonds	**21,493**	–
Equity-settled share-based payment expense	**8,799**	4,524
Changes in working capital:		
Decrease in deposits and prepayments	**228,710**	120,004
Decrease/(increase) in trade and other receivables	**46,971**	(80,653)
Decrease in properties under development and completed properties held for sale	**3,625,515**	2,380,314
Decrease in sales deposits	**(5,783,742)**	(4,302,627)
(Decrease)/increase in trade and other payables	**(135,198)**	979,081
Cash generated from operations	**5,653,789**	7,835,664
Interest received	**674,222**	432,494
Interest paid	**(1,007,942)**	(849,895)
Income tax paid	**(3,495,562)**	(2,355,882)
Net cash generated from operating activities	**1,824,507**	5,062,381
Investing activities		
Payment for development costs and purchase of investment properties	**(6,452,664)**	(527,554)
Payment for purchase of property and equipment	**(19,654)**	(17,360)
Proceeds from sale of property and equipment	**–**	157
Decrease/(increase) in term deposits with banks and other financial institutions over 3 months	**57,827**	(512,698)
Decrease in bank deposits	**1,969,776**	1,313,958
Advances payment to a joint venture	**–**	(2,367,349)
Net cash outflow arising from acquisition of subsidiaries	**–**	(2,200,686)
Payment for acquisition of interests in a joint venture	**(22,500)**	(598,183)
Payment for acquisition of non-controlling interests	**–**	(500,000)
Net cash used in investing activities	**(4,467,215)**	(5,409,715)

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

for the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Financing activities			
Proceeds from bank loans		**6,921,523**	6,035,016
Repayment of bank loans		**(10,415,450)**	(2,998,470)
Repurchase of convertible bonds		**(475,568)**	–
Proceeds from issue of senior notes		**–**	6,201,383
Repurchase of own shares		**(1,409,931)**	(384,300)
Proceeds from shares issued under the employees' share option schemes	*26(c)(i)*	**11,983**	588
Payment for purchase of treasury shares for employees' share award scheme	*26(c)(ii)*	**(1,212)**	(17,625)
Dividends paid to equity shareholders of the Company		**(1,224,029)**	(1,188,974)
Distributions to non-controlling interests		**(33,800)**	–
Net cash (used in)/generated from financing activities		**(6,626,484)**	7,647,618
Net (decrease)/increase in cash and cash equivalents		**(9,269,192)**	7,300,284
Cash and cash equivalents at 1 January		**18,492,100**	11,202,232
Effect of foreign exchange rate changes		**(153,423)**	(10,416)
Cash and cash equivalents at 31 December	*20*	**9,069,485**	18,492,100

The notes on pages 13 to 88 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of SOHO China Limited (the 'Company') and its subsidiaries (together, the 'Group'). Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The functional currency of the Company is Hong Kong dollars ("HKD"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying out the principal activities of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see Note 1(g));

– office premises (see Note 1(h));

– financial instruments classified as available-for-sale or as trading securities (see Note 1(f)(i)); and

– derivative financial instruments (see Note 1(f)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 32.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements, and have no material impact on the Group, except for certain disclosures in respect of amendments to HKAS 1, HKFRS 12 AND HKFRS 13:

- HKFRS 13, 'Fair value measurement: Disclosures'
- Amendments to HKAS 1, 'Financial statement presentation'
- Amendments to HKFRS 7, 'Financial instruments disclosures'
- Amendments to HKAS 19, 'Employee benefits'
- HKFRS 10, 'Consolidated financial statements'
- HKFRS 11, 'Joint arrangements'
- HKFRS 12, 'Disclosures of interests in other entities'
- Amendments to HKAS 36, 'Impairment of assets'
- HKAS 28, 'Associates and joint ventures'
- HKAS 27, 'Separate financial statements'
- Annual improvements 2011

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **Changes in accounting policies** (continued)

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies have been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKAS 27 includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

Annual improvements 2011 address six issues in the 2009–2011 reporting cycle. It includes changes to:

- HKFRS 1, 'First time adoption'
- HKAS 1, 'Financial statement presentation'
- HKAS 16, 'Property plant and equipment'
- HKAS 32, 'Financial instruments: Presentation'
- HKAS 34, 'Interim financial reporting'

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for amendments to HKAS 36, and the Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application.

(d) Subsidiaries and non-controlling interests

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Notes(1)(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, except for the case of partial disposal of joint venture into an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see Note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments

(i) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(ii) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains – net'.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'other revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains – net'.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is measured initially at cost, including related transaction costs and borrowing costs, where applicable.

After initial recognition, investment properties, including completed investment properties and investment properties under construction, are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time.

Fair value is assessed by a professional independent valuer, based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(s)(ii).

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

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

(a) Commencement of an operating lease to another party, for a transfer from inventories to investment property.

(b) Commencement of development with a view to sale, for a transfer from investment property to inventories.

When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from balance sheet) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment

Office premises are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Serviced apartment properties, that are owner-occupied properties from which the Group earns apartment service income, and equipment items are stated at cost less accumulated depreciation and impairment losses (see Note 1(k)).

Changes arising on the revaluation of office premises are generally dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to a working condition for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Office premises and serviced apartment properties situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

– Office equipment 5 years

– Motor vehicles 8 years

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment (continued)

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(k)).

(k) Impairment of assets

(i) Impairment of investments and receivables

Investments and current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments and receivables (continued)

– it becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, associates and joint venture (including those recognised using the equity method (see Note 1(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(k)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) **Impairment of assets** (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property and equipment (other than office premises carried at revalued amounts) may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees under the employees' share option schemes and shares granted to employees under the employees' share award scheme (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of share options is measured at grant date using the Black-Scholes Model or Binomial Tree Pricing Method, taking into account the terms and conditions upon which the options were granted. The fair value of Awarded Shares is measured at quoted share price at grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or Awarded Shares, the total estimated fair value of the options or Awarded Shares is spread over the vesting period, taking into account the probability that the options or Awarded Shares will vest.

During the vesting period, the number of share options or Awarded Shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify' for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options or Awarded Shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the Awarded Shares are transferred to the employees (when it is credit to the treasury shares account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. The presumption that the carrying amount of investment property carried at fair value under HKAS 40 will be recovered through sale is rebutted by the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

(ii) Contingent liabilities assumed in business combinations

Any contingent consideration assumed in a business combination to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Rendering of services

Revenue from rendering of services is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference of surveys of work performed.

(iv) Dividend

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(vii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale.

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

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

(v) Operating lease payments

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are property development and property investments. Turnover represents revenue from the sale of property units and rental income from investment properties, analysed as follows:

	2013 **RMB'000**	2012 RMB'000
Sale of property units	**14,342,233**	15,986,058
Rental income from investment properties	**279,203**	156,926
	14,621,436	16,142,984

(b) Segment reporting

The Group manages its businesses based on future development strategy of current projects, which are divided into properties development and properties investment. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Properties development

This segment includes projects which are held for sale.

(ii) Properties investment

This segment includes projects which are held for rental.

2 TURNOVER AND SEGMENT REPORTING (continued)

(c) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Management is provided with segment information concerning turnover, cost of properties sold, gross profit, valuation gains on investment properties, net operating expenses, financial income, financial expenses, income tax, investment properties, properties under development and completed properties held for sale, cash and cash equivalents, bank deposits, bank loans, and additions to investment properties and property and equipment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below.

The Company adopts the current year segment presentation as a result of changes in business strategy and internal management reporting. The segment information for 2012 has been restated accordingly.

2 TURNOVER AND SEGMENT REPORTING (continued)

(c) Segment results, assets and liabilities (continued)

	Properties development		Properties investment		Total	
	2013 RMB'000	2012 RMB'000 (Restated)	**2013 RMB'000**	2012 RMB'000 (Restated)	**2013 RMB'000**	2012 RMB'000 (Restated)
Income statement items						
Reportable segment revenue	**14,342,233**	15,986,058	**279,203**	156,926	**14,621,436**	16,142,984
Cost of sales	**(6,492,042)**	(7,127,491)	**(15,635)**	(8,803)	**(6,507,677)**	(7,136,294)
Reportable segment gross profit	**7,850,191**	8,858,567	**263,568**	148,123	**8,113,759**	9,006,690
Valuation gains on Investment properties	**–**	–	**4,220,199**	9,604,777	**4,220,199**	9,604,777
Operating Income/(expenses), net	**21,376**	78,536	**56**	8,696	**21,432**	87,232
Depreciation	**(29,024)**	(22,819)	**(191)**	(115)	**(29,215)**	(22,934)
Impairment of trade and other receivable	**(51,610)**	–	**(9,304)**	(15,114)	**(60,914)**	(15,114)
Financial income	**481,879**	389,161	**16,096**	20,773	**497,975**	409,934
Financial expense	**(13,202)**	(71,115)	**(78,331)**	(99,081)	**(91,533)**	(170,196)
Reportable segment profit before taxation	**7,847,695**	8,957,170	**4,404,602**	9,646,877	**12,252,297**	18,604,047
Income tax	**(3,617,013)**	(4,670,111)	**(1,329,354)**	(2,907,754)	**(4,946,367)**	(7,577,865)
Reportable segment profit	**4,230,682**	4,287,059	**3,075,248**	6,739,123	**7,305,930**	11,026,182
Balance sheet items						
Investment properties	**–**	–	**48,728,000**	38,310,000	**48,728,000**	38,310,000
Properties under development and completed properties held for sale	**8,586,751**	10,048,137	**–**	–	**8,586,751**	10,048,137
Cash and cash equivalents	**5,670,154**	7,370,713	**3,095,434**	507,102	**8,765,588**	7,877,815
Bank deposits	**432,750**	1,922,655	**88,550**	373,111	**521,300**	2,295,766
Bank loans	**180,000**	1,540,000	**3,198,750**	3,228,610	**3,378,750**	4,768,610
Reportable segment assets	**34,385,236**	44,601,618	**44,678,511**	38,457,472	**79,063,747**	83,059,090
Reportable segment liabilities	**16,324,892**	23,104,595	**12,978,379**	22,059,579	**29,303,271**	45,164,174
Additions to investment properties and property and equipment	**19,655**	17,360	**10,418,000**	24,975,500	**10,437,655**	24,992,860

Note: Business tax of RMB837,855,000 was previously presented net of turnover for the year ended 31 December 2012, and had been reclassified to cost of properties sold/cost of rental business to conform to the current year presentation.

2 TURNOVER AND SEGMENT REPORTING (continued)

(d) Reconciliations of reportable segment profit or loss, assets and liabilities

	2013 RMB'000	2012 RMB'000 (Restated)
Profit		
Reportable segment profit	**7,305,930**	11,026,182
Unallocated head office and corporate expenses and income tax	**130,151**	(379,331)
Consolidated profit	**7,436,081**	10,646,851
Income tax		
Reportable segment income tax	**(4,946,367)**	(7,577,865)
Unallocated head office and corporate income tax	**(87,937)**	29,944
Consolidated income tax	**(5,034,304)**	7,547,921
Bank deposits		
Reportable segment bank deposits	**521,300**	2,295,766
Unallocated head office and corporate bank deposits	**–**	195,310
Consolidated bank deposits	**521,300**	2,491,076
Cash and cash equivalents		
Reportable segment cash and cash equivalents	**8,765,588**	7,877,815
Unallocated head office and corporate cash and cash equivalents	**1,362,693**	11,830,908
Consolidated cash and cash equivalents	**10,128,281**	19,708,723
Bank loans		
Reportable segment bank loans	**3,378,750**	4,768,610
Unallocated head office and corporate bank loans	**7,667,434**	9,944,889
Consolidated bank loans	**11,046,184**	14,713,499
Assets		
Reportable segment assets	**79,063,747**	83,059,090
Unallocated head office and corporate assets	**27,868,475**	50,086,918
Elimination of intra-group balances	**(29,109,197)**	(52,568,437)
Consolidated total assets	**77,823,025**	80,577,571
Liabilities		
Reportable segment liabilities	**29,303,271**	45,164,174
Unallocated head office and corporate liabilities	**39,138,357**	45,298,624
Elimination of intra-group balances	**(29,104,398)**	(41,595,689)
Consolidated total liabilities	**39,337,230**	48,867,109

2 TURNOVER AND SEGMENT REPORTING (continued)

(d) Reconciliations of reportable segment profit or loss, assets and liabilities (continued)

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2013 and 2012.

As at 31 December 2013, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB52,729,683,000 (2012: RMB42,921,519,000), the total of these non-current assets located in Hong Kong is RMB123,370,000 (2012: RMB278,474,000).

For the years ended 31 December 2013 and 2012, the Group does not have any single customer with the transaction value over 10% of the total external sales.

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Financial income and financial expenses

	2013 **RMB'000**	2012 RMB'000
Financial income		
Interest income	**674,222**	432,516
Net foreign exchange gain	**132,980**	–
	807,202	432,516
Financial expense		
Interest on bank loans wholly repayable within five years	**617,593**	754,652
Interest on bank loans wholly repayable above five years	**59,826**	22,039
Interest expenses on the Convertible Bonds	**172,861**	190,938
Interest expenses on the Senior Notes	**402,378**	60,823
Less: Interest expense capitalised into properties under development*	**(1,144,530)**	(494,099)
	108,128	534,353
Net foreign exchange loss	**–**	4,777
Net loss on settlement of financial assets at fair value through profit or loss: Held for trading	**3,654**	–
Bank charges and others	**13,698**	19,302
	125,480	558,432

* The borrowing costs were capitalised at a rate of 4.46%~6.77% per annum (2012: 4.57%~8.32%).

3 PROFIT BEFORE TAXATION (continued)

(b) Staff costs

	Note	**2013 RMB'000**	2012 RMB'000
Salaries, wages and other benefits		**249,727**	209,105
Contributions to defined contribution retirement plan		**15,249**	15,048
Equity-settled share-based payment expenses	*28*	**8,799**	4,524
		273,775	228,677

(c) Other items

	2013 RMB'000	2012 RMB'000
Depreciation	**29,215**	22,934
Auditors' remuneration		
– audit services	**5,543**	7,439
– tax services	**2,672**	1,387
– other services	**1,706**	798
Rental income	**279,203**	156,926

4 GOVERNMENT GRANTS

The Group received total government grants of RMB154,548,000 (2012: RMB203,155,000) in relation to certain completed projects from the local finance bureaus pursuant to the regulations issued by the respective local governments.

Government grants of RMB203,155,000 was previously separately presented as part of the "profit from operations" for the year ended 31 December 2012, and had been reclassified to other revenue and income to conform to the current year presentation.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2013 **RMB'000**	2012 RMB'000
PRC Corporate Income Tax		
– Provision for the year	**1,855,264**	2,977,642
– Under/(over)provision in respect of prior years	**7,740**	(78,887)
Land Appreciation Tax	**2,137,079**	3,410,132
Deferred tax	**1,034,221**	1,239,034
	5,034,304	7,547,921

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Company and the Company's subsidiaries registered in the BVI and the Cayman Islands are not subject to any income tax.

(ii) In accordance with the Corporate Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2012: 25%).

(iii) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed and sold in the PRC by the Group. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

(iv) According to the Implementation Rules of the Corporate Income Tax Law of the People's Republic of China, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013 RMB'000	2012 RMB'000
Profit before taxation	12,470,385	18,194,772
Income tax computed by applying the tax rate of 25% (2012: 25%)	3,117,596	4,548,693
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	(534,270)	(837,253)
Tax effect of unused tax losses not recognised	234,278	105,503
Reverse of withholding tax provided in prior year	(34,756)	–
Under/(Over)-provision in prior years	7,740	(78,887)
Tax effect of non-deductible expenses	106,637	399,733
Provision for Land Appreciation Tax for the year	2,137,079	3,410,132
Actual tax expense	5,034,304	7,547,921

6 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Directors' fees RMB'000	Allowances and benefits in kind RMB'000	Retirement Scheme contributions RMB'000	Sub-total RMB'000	Share-based Payments (Note 6(i)) RMB'000	Total RMB'000
2013						
Chairman						
Pan Shiyi	240	6,039	37	6,316	–	6,316
Executive directors						
Pan Zhang Xin Marita	240	5,336	–	5,576	–	5,576
Yan Yan	240	5,531	37	5,808	1,401	7,209
Tong Ching Mau	240	4,156	–	4,396	467	4,863
Yin Jie	240	4,282	37	4,559	607	5,166
Independent non-executive directors						
Ramin Khadem	297	–	–	297	–	297
Cha Mou Zing Victor	261	–	–	261	–	261
Yi Xiqun	261	–	–	261	–	261
	2,019	25,344	111	27,474	2,475	29,949

6 DIRECTORS' REMUNERATION (continued)

	Directors' fees RMB'000	Allowances and benefits in kind RMB'000	Retirement Scheme contributions RMB'000	Sub-total RMB'000	Share-based Payments (Note 6(i)) RMB'000	Total RMB'000
2012						
Chairman						
Pan Shiyi	240	5,926	33	6,199	–	6,199
Executive directors						
Pan Zhang Xin Marita	240	5,201	–	5,441	–	5,441
Yan Yan	240	5,251	33	5,524	1,911	7,435
Tong Ching Mau	240	3,723	–	3,963	635	4,598
Yin Jie (appointed on 22 October 2012)	50	971	7	1,028	124	1,152
Independent non-executive directors						
Ramin Khadem	308	–	–	308	–	308
Cha Mou Zing Victor	272	–	–	272	–	272
Yi Xiqun	272	–	–	272	–	272
	1,862	21,072	73	23,007	2,670	25,677

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the year.

Note:

(i) These represent the fair value of share options and shares granted to the directors under the employees' share option schemes and the employees' share award scheme, respectively. The value of these share options and shares is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 1(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options and shares granted, are disclosed in Note 28.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, all (2012: three) are directors whose emoluments are disclosed in Note 6. During the year 2012, The aggregate of the emoluments in respect of the other two individuals are as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries and other emoluments	–	8,571
Retirement scheme contributions	–	33
Share-based payments	–	1,123
	–	9,727

For the year ended 31 December 2012, two of the five individuals with highest emoluments are within the band of HKD 4,500,000 to HKD 5,000,000.

During the year ended 31 December 2013, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB762,816,000 (2012: RMB572,328,000) which has been dealt within the financial statements of the Company.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,388,049,000 (2012: RMB10,584,876,000) and the weighted average of 4,952,995,000 ordinary shares (2012: 5,160,850,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Note	**2013** **'000**	2012 '000
Issued ordinary shares at 1 January		**5,112,616**	5,188,656
Effect of share options exercised	*26(c)(i)*	**926**	53
Effect of shares repurchased and cancelled	*26(c)(ii)*	**(196,691)**	(20,520)
Effect of treasury shares	*26(c)(iii)*	**(10,341)**	(7,551)
Effect of Awarded Shares vested	*28(b)*	**662**	212
Conversion of convertible bonds		**45,823**	–
Weighted average number of ordinary shares during the year		**4,952,995**	5,160,850

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,560,910,000 (2012: RMB10,775,814,000) and the weighted average of 5,384,372,000 ordinary shares (2012: 5,680,015,000), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2013 **RMB'000**	2012 RMB'000
Profit attributable to ordinary equity shareholders	**7,388,049**	10,584,876
After tax effect of effective interest on the liability component of the convertible bonds	**172,861**	190,938
Profit attributable to ordinary equity shareholders (diluted)	**7,560,910**	10,775,814

9 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted)

	2013 '000	2012 '000
Weighted average number of ordinary shares	**4,952,995**	5,160,850
Effect of conversion of the Convertible Bonds	**430,103**	516,605
Effect of deemed issue of shares under the employee's share option schemes	**1,274**	–
Effect of deemed vesting of the Awarded Shares	**–**	2,560
Weighted average number of ordinary shares (diluted)	**5,384,372**	5,680,015

10 INVESTMENT PROPERTIES – THE GROUP

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total
At 1 January 2012	5,332,500	8,002,000	13,334,500
Additions	–	559,668	559,668
Transfer from properties under development and completed properties held for sale	2,863,826	11,947,229	14,811,055
Fair value adjustment	2,533,674	7,071,103	9,604,777
At 31 December 2012	10,730,000	27,580,000	38,310,000
At 1 January 2013	**10,730,000**	**27,580,000**	**38,310,000**
Additions	**24,908**	**8,298,893**	**8,323,801**
Transfer to completed properties held for sale	**(2,126,000)**	**–**	**(2,126,000)**
Fair value adjustment	**156,092**	**4,064,107**	**4,220,199**
At 31 December 2013	**8,785,000**	**39,943,000**	**48,728,000**

10 INVESTMENT PROPERTIES – THE GROUP (continued)

(a) Revaluation of investment properties

The valuations were carried out by CB Richard Ellis Ltd. ("CBRE"), a third party qualified valuers in Hong Kong.

The valuation process of the Group and valuation techniques of investment properties is disclosed in note 29(e).

For the year ended 31 December 2013, the direct expense RMB52,103,000 (2012: RMB7,509,000) were from investment properties that generated rental income, and Direct operating expenses RMB7,134,000 (2012: RMB23,843,000) were from property that did not generate rental income.

(b) Certain investment properties of the Group were pledged against the bank loans, details are set out in Note 21.

(c) The net book value of investment properties of RMB48,728,000,000 as at 31 December 2013 (2012: RMB38,310,000,000) were under medium-term leases in the PRC.

The fair value hierarchy of investment properties is disclosed in Note 29(e).

11 PROPERTY AND EQUIPMENT – THE GROUP

	Office premises RMB'000	Serviced apartment properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost or valuation:					
At 1 January 2012	354,462	325,386	46,647	5,269	731,764
Additions	–	5,004	10,406	1,950	17,360
Acquisition of a subsidiary	–	–	42	–	42
Disposals	–	–	(7,117)	(1,534)	(8,651)
At 31 December 2012	354,462	330,390	49,978	5,685	740,515
Representing:					
Cost	–	330,390	49,978	5,685	386,053
Valuation – 2012	354,462	–	–	–	354,462
At 1 January 2013	**354,462**	**330,390**	**49,978**	**5,685**	**740,515**
Additions	**–**	**–**	**20,001**	**–**	**20,001**
Disposals	**–**	**–**	**(5,213)**	**–**	**(5,213)**
At 31 December 2013	**354,462**	**330,390**	**64,766**	**5,685**	**755,303**
Representing:					
Cost	**–**	**330,390**	**64,766**	**5,685**	**400,841**
Valuation – 2013	**354,462**	**–**	**–**	**–**	**354,462**
Accumulated depreciation:					
At 1 January 2012	–	13,644	26,375	3,605	43,624
Charge for the year	9,354	7,114	5,915	551	22,934
Acquisition of a subsidiary	–	–	3	–	3
Written back on disposals	–	–	(6,704)	(1,426)	(8,130)
At 31 December 2012	9,354	20,758	25,589	2,730	58,431
At 1 January 2013	**9,354**	**20,758**	**25,589**	**2,730**	**58,431**
Charge for the year	**9,354**	**8,536**	**10,682**	**643**	**29,215**
Written back on disposals	**–**	**–**	**(4,866)**	**–**	**(4,866)**
At 31 December 2013	**18,708**	**29,294**	**31,405**	**3,373**	**82,780**

11 PROPERTY AND EQUIPMENT – THE GROUP (continued)

(a) Revaluation of office premises

The Group's office premises were revalued as at 31 December 2011 by the management on an open market value basis by making reference to comparable sales transaction as available in the relevant market. As at 31 December 2011, the revaluation surplus of RMB70,481,000 was recognised in other comprehensive income and accumulated in the revaluation reserve of the Group, net of deferred tax. The carrying amount of the office premises of the Group as at 31 December 2013 did not materially differ from their fair value.

The carrying amount of the office premises of the Group as at 31 December 2013 would have been RMB111,308,000 (2012: RMB114,391,000) had they been carried at cost less accumulated depreciation.

The fair value of office premises is revalued according to the sale price of the similar unit within the same properties and appropriate sales price discount on different floor and direction of the similar properties, and is within level 3 of the fair value hierarchy.

(b) The analysis of net book value of properties is as follows:

The net book value of office premises and serviced apartment properties in aggregate of RMB636,850,000 as at 31 December 2013 (2012: RMB654,740,000) were under medium-term leases in the PRC.

(c) Office premises and serviced apartment properties of the Group were pledged against the bank loans, details of which are set out in Note 21.

(d) Depreciation expense of RMB62,000 (2012: RMB107,000) has been charged in 'cost of properties sold', RMB379,000 (2012: RMB474,000) in 'selling expenses', RMB28,774,000 (2012: RMB22,353,000) in 'administrative expenses'.

12 INVESTMENTS IN SUBSIDIARIES THE COMPANY

	2013 **RMB'000**	2012 RMB'000
Unlisted shares, at cost	**294,423**	294,423

12 INVESTMENTS IN SUBSIDIARIES THE COMPANY (continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place of Establishment/ incorporation and operation	Principal activities	Issued and paid-in capital	Attributable equity interest	
				Direct	Indirect
Beijing Redstone Newtown Real Estate Co., Ltd.*	Beijing, the PRC	Development of the Commune by the Great Wall project and Operation of serviced apartment	USD10,000,000	–	95%
Hainan Redstone Industry CO., Ltd.*	Hainan, the PRC	Development of Boao Canal Village project	RMB20,000,000	–	98.1%
Beijing SOHO Real Estate CO., Ltd.*	Beijing, the PRC	Development of Sanlitun SOHO project	USD99,000,000	–	95%
Beijing Millennium Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Beijing Residency project	RMB96,000,000	–	100%
Beijing Yeli Real Properties Development Co., Ltd.***	Beijing, the PRC	Investment in Phase II of Guanghualu SOHO project	RMB1,100,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd.*	Beijing, the PRC	Investment in and development of Chaoyangmen SOHO project and Galaxy SOHO project	USD12,000,000	–	100%
Beijing Suo Tu Shi Ji Investment Management Co., Ltd.***	Beijing, the PRC	Development of ZhongGuan Cun SOHO project and Danling SOHO	RMB10,000,000	–	100%
Beijing Zhanpeng Century Investment Management Co.,Ltd.***	Beijing, the PRC	Investment in Tiananmen (Qianmen) project	RMB50,000,000	–	100%
SOHO Exchange Ltd.	Cayman Islands	Investment in and development of Exchange-SOHO project	USD1,000	–	100%
Beijing Wangjing SOHO Real Estate Co., Ltd.*	Beijing, the PRC	Investment in and development of SOHO Peaks project	USD99,000,000	–	100%

12 INVESTMENTS IN SUBSIDIARIES THE COMPANY (continued)

Name of Company	Place of Establishment/ incorporation and operation	Principal activities	Issued and paid-in capital	Attributable equity interest Direct	Indirect
Beijing Bluewater Property Management Co., Ltd.**	Beijing, the PRC	Development of SOHO Nexus Centre project	USD120,000,000	–	100%
Beijing Fengshi Real Estate Development Co., Ltd.***	Beijing, the PRC	Investment in Beijng Lize project	RMB100,000,000	–	100%
Shanghai Ding Ding Real Development Co., Ltd.*	Shanghai, the PRC	Investment in Bund SOHO project	USD135,000,000	–	61.506%
SOHO (Shanghai) Investment Co., Ltd.***	Shanghai, the PRC	Investment in sky SOHO Project and SOHO Century Plaza project,and Development of SOHO Zhonshan Plaza Project	RMB1,500,000,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Investment in SOHO Fuxing Plaza project	RMB840,000,000	–	100%
Shanghai Hanggang Jiajie Real Estate Co., Ltd.***	Shanghai, the PRC	Investment in SOHO Hailun Plaza project	RMB1,201,450,000	–	100%
Shanghai Xusheng Property Co., Ltd.**	Shanghai, the PRC	Investment in Hongkou SOHO project	USD180,000,000	–	100%
Shanghai Greentown Plaza Development Co., Ltd.***	Shanghai, the PRC	Investment in and development of SOHO Tianshan Plaza project	RMB1,550,000,000	–	100%
Shanghai Changkun Real Estate Development Co., Ltd.*	Shanghai, the PRC	Investment in Shanghai Gubei project	RMB3,190,000,000	–	100%

* The company is registered as a sino-foreign equity joint venture enterprise in the PRC.
** The company is registered as a wholly owned foreign enterprise in the PRC.
*** The company is registered as a limited liability company in the PRC.

The total amount of non-controlling interest is RMB1,025,187,000 (2012: RMB1,010,955,000) which is considered not material to the Group.

There are no difference between the voting rights and the proportionate interest.

13 INTEREST IN JOINT VENTURES – THE GROUP

	Note	**2013 RMB'000**	2012 RMB'000
Share of net assets		**950,699**	928,199
Loans to a joint venture		**3,137,333**	3,137,333
		4,088,032	4,065,532

Details of the Group's interest in the joint ventures as at 31 December 2013 were as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operation	Principal activities	Particulars of paid-in Capital and registered capital	Proportion of ownership interest held by a subsidiary
Shanghai Haizhimen Property Investment Management Co., Ltd.	Incorporated	Shanghai, the PRC	Investment in The Bund 8-1 Land project	RMB1,000,000,000	50%
Shanghai Ying Bi Chang Sheng Enterprise Management Co., Ltd.	Incorporated	Shanghai, the PRC	Properties Management	RMB500,000	50%
CJ SOHO (Beijing) Co., Ltd.	Incorporated	Beijing, the PRC	Commercial	RMB45,000,000	50%

The operating results of the joint ventures are considered not material to the financial results of the Group.

Details of interest in Shanghai Haizhimen Property Investment Management Co., Ltd. ("Shanghai Haizhimen") are as follows:

	2013 RMB'000	2012 RMB'000
Share of net assets	**927,949**	927,949
Loans to a joint venture	**3,137,333**	3,137,333
	4,065,282	4,065,282

Loans represented advances of RMB3,137,333,000 to Shanghai Haizhimen, which were interest-free, except for a balance amounting to RMB288,660,000 that bore interest at a fixed interest rate of 13.8% per annum. All loans were unsecured and had no fixed term of repayment.

On 4 June 2012, the Group was served with a document of summons issued by Shanghai No. 1 Intermediate People's Court in relation to a court action initiated by a subsidiary of Fosun International Ltd. ("Fosun Group"), who holds the other 50% equity interests of Shanghai Haizhimen, that requested orders to be made to invalidate the acquisition of Shanghai Haizhimen by the Group.

13 INTEREST IN JOINT VENTURES – THE GROUP (continued)

On 24 April 2013, the Shanghai No. 1 Intermediate People's Court issued a judgment (the "Trial Judgment") according to which the acquisition of the 100% equity interests in Shanghai Zendai Wudaokou Real Estate Development Co., Ltd. ("Zendai Wudaokou") and Hangzhou Greentown Hesheng Investment Company ("Greentown Hesheng") by a subsidiary of the Company was ordered to be invalidated. Zendai Wudaokou and Greentown Hesheng together holds 50% equity interests of Shanghai Haizhimen.

The relevant subsidiary of the Company has made an appeal (the "Appeal") to the Higher People's Court of Shanghai against the Trial Judgment.

As advised by the Company's PRC legal advisers, since the Trial Judgment cannot be enforced and will not become effective pending the results of the Appeal, the relevant subsidiary of the Company is still holding 100% equity interests in Zendai Wudaokou and Greentown Hesheng. In case Fosun Group prevails in the Appeal, Shanghai Haizhimen will discontinue to be a joint venture of the Group and the consideration paid for the acquisition of Shanghai Haizhenmen will be refunded from the original shareholders.

As at the date of approval of the financial statements, the result of the Appeal is not available. The directors of the Company, after consultation with the PRC legal advisers, do not consider a need to make any provision in respect of the Appeal and Trail Judgement, nor any impairment in respect of the investment in joint ventures. .

14 FINANCIAL INSTRUMENT

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Interest rate swaps – cash flow hedges	**–**	**3,449**	–	–

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

There was no ineffectiveness to be recorded from net investment in this cash flow hedge.

The swap transaction started from 23 October 2013, and will terminate at 23 October 2017. The company receives a floating interest rate of one month LIBoR and pays a fixed interest rate of 1.007% monthly.

At 31 December 2013, the notional principal amount of the outstanding interest rate swap contracts was USD 415,000,000 (2012: nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on interest rate swap contracts as of 31 December 2013 will be continuously released to the income statement until the repayment of the bank borrowings.

15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET – THE GROUP

(a) Current taxation in the consolidated balance sheet represents

	2013 RMB'000	2012 RMB'000
PRC Corporate Income Tax payable	**2,706,894**	3,169,541
Land Appreciation Tax payable	**7,085,931**	6,401,705
	9,792,825	9,571,246

(b) Deferred tax assets and liabilities recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax Arising from	*Note*	Tax losses RMB'000	unpaid Accrued cost and expenses RMB'000	Investment properties RMB'000	Office premises RMB'000	Withholding tax on the equity interests of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2012		15,375	890,101	(1,577,981)	(63,176)	(93,656)	(829,337)
Credited/(charged) to profit and loss	*5(a)*	(3,741)	1,104,528	(2,339,821)	–	–	(1,239,034)
At 31 December 2012		11,634	1,994,629	(3,917,802)	(63,176)	(93,656)	(2,068,371)
At 1 January 2013		**11,634**	**1,994,629**	**(3,917,802)**	**(63,176)**	**(93,656)**	**(2,068,371)**
Reclassification from deferred income tax liability to current tax liability		**–**	**–**	**–**	**–**	**58,900**	**58,900**
Credited/(charged) to profit and loss	*5(a)*	**2,558**	**173,085**	**(1,303,520)**	**–**	**34,756**	**(1,093,121)**
At 31 December 2013		**14,192**	**2,167,714**	**(5,221,322)**	**(63,176)**	**–**	**(3,102,592)**

15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET – THE GROUP (continued)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to the consolidated balance sheet:

	2013 RMB'000	2012 RMB'000
Net deferred tax assets recognized in the consolidated balance sheet	**2,197,318**	2,009,795
Net deferred tax liabilities recognised in the consolidated balance sheet	**(5,299,910)**	(4,078,166)
	(3,102,592)	(2,068,371)

As at 31 December 2013, Deferred tax assets RMB60,784,000 (2012: RMB12,387,000) will be recovered after more than 12 months, and Deferred tax liabilities RMB5,299,910,000 (2012: RMB4,078,166,000) will be recovered after more than 12 months.

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets RMB54,525,250 (2012: RMB61,240,000) in respect of cumulative tax losses in certain subsidiaries of RMB218,101,000 as at 31 December 2013 (2012: RMB244,960,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant subsidiaries. As at 31 December 2013, RMB33,261,000, RMB32,372,000, RMB22,215,000, RMB41,998,000 and RMB88,255,000 of these tax losses will expire in 2014, 2015, 2016, 2017 and 2018, respectively.

(d) Deferred tax liabilities not recognised

As at 31 December 2013, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB34,820,113,000 (2012: RMB26,302,812,000). Deferred tax liabilities of RMB3,482,011,000 (2012: RMB2,630,281,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE – THE GROUP

	2013 RMB'000	2012 RMB'000
Properties under development	**993,613**	5,195,232
Completed properties held for sale	**7,593,138**	4,852,905
	8,586,751	10,048,137

(a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	2013 RMB'000	2012 RMB'000
In the PRC		
– long-term lease	**140,055**	187,432
– medium-term lease	**2,760,025**	5,520,407
	2,900,080	5,707,839

(b) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	2013 RMB'000	2012 RMB'000
Properties under development	**993,613**	941,951

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(c) The cost of properties sold for the year ended 31 December 2013 amounted to RMB5,734,544,000 (2012: RMB6,298,439,000).

(d) Certain properties under development and completed properties held for sale of the Group were pledged against the bank loans, details of which are set out in Note 21.

17 DEPOSITS AND PREPAYMENTS

Deposits and prepayments mainly represented amounts prepaid for acquisition of property development projects and construction fees.

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is RMB1,485,473,000 (2012: RMB1,189,282,000).

18 TRADE AND OTHER RECEIVABLES

	Note	**2013** **RMB'000**	2012 RMB'000
The Group			
Trade receivables	*(a)*	**149,176**	161,038
Other receivables		**572,958**	513,622
Less: allowance for doubtful debts	*(b)*	**(39,982)**	(11,723)
		682,152	662,937

	2013 **RMB'000**	2012 RMB'000 (Restated)
The Company		
Amounts due from subsidiaries –		
Non-current	**1,258,273**	1,211,283
Current	**15,919,629**	14,327,992

Amounts due from subsidiaries are interest-free loans made to subsidiaries without any fixed repayment terms.

Amounts due from subsidiaries of RMB1,211,283,000 as a long-term source of additional capital for financing their investment properties which were previously presented as current assets as of 31 December 2012, was reclassified to non-current assets to conform to the current year presentation. These reclassification has no material impact on the balance sheet of 1 January 2012.

18 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

The ageing analysis of trade receivables based on due date is as follows:

	2013 RMB'000	2012 RMB'000
Current	**6,474**	75,089
Less than 1 month past due	**19,752**	1,075
Into 6 months past due	**18,370**	2,613
6 months to 1 year past due	**12,024**	9,388
More than 1 year past due	**62,556**	72,873
Amounts past due	**112,702**	85,949
	149,176	161,038

The Group's credit policy is set out in Note 29(a).

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see Note 1(k)).

	2013 RMB'000	2012 RMB'000
At 1 January	**11,723**	1,552
Impairment loss recognised, net	**60,914**	15,114
Uncollectible amounts written off	**(32,655)**	(4,943)
At 31 December	**39,982**	11,723

At 31 December 2013, the Group's trade and other receivables of RMB39,982,000 (2012: RMB11,723,000) were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that no receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB39,982,000 (2012: RMB11,723,000) were recognised. The Group does not hold any collateral over these balances.

18 TRADE AND OTHER RECEIVABLES (continued)

(c) Trade and other receivables that are not impaired

The ageing analysis of trade and other receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**383,077**	413,818	**17,177,902**	15,539,275
Less than 1 month past due	**70,892**	48,547		
Into 6 months past due	**33,323**	19,870		
6 months to 1 year past due	**43,433**	36,015		
More than 1 year past due	**151,427**	144,687		
	299,075	249,119		
	682,152	662,937		

Receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired mainly relate to a number of independent customers to whom the title deed of the property units have not been transferred and debtors that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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. The Group holds rental deposits as collateral over the balance of rental receivables and holds the title of the property units as collateral over the balance of trade receivables of RMB66,552,000 (2012: RMB61,006,000) and other receivables of RMB38,420,000 (2012: RMB57,262,000) as at 31 December 2013, and does not hold any collateral over the remaining balance of other receivables.

19 BANK DEPOSITS

		The Group		The Company	
		2013	2012	**2013**	2012
		RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits in non-current assets for:					
Guarantees for construction fee payment	*(i)*	**124,699**	137,647	**–**	–

		The Group		The Company	
		2013	2012	**2013**	2012
		RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits in current assets for:					
Guarantees for mortgage loans	*(ii)*	**396,601**	337,271	**–**	–
Guarantees for bank loans		**–**	882,464	**–**	195,310
Restricted cash related to pre-sale proceeds received		**–**	1,133,694	**–**	–
		396,601	2,353,429	**–**	195,310
		521,300	2,491,076	**–**	195,310

The above bank deposits are restricted as follows:

(i) As at 31 December 2013, pursuant to a government regulation, the Group had deposits of RMB124,699,000 (2012: RMB137,647,000) as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank can draw down the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(ii) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. As at 31 December 2013, the Group had deposits of RMB396,601,000 (2012: RMB337,271,000) as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks or the related mortgage loans are repaid by buyers.

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**401**	516	**–**	–
Cash at bank	**314,882**	4,462,845	**242,752**	2,008,383
Term deposits with banks	**9,812,998**	15,245,362	**936,405**	7,305,792
Cash and cash equivalents in the balance sheet	**10,128,281**	19,708,723	**1,179,157**	9,314,175
Less: Term deposits with banks and other financial institutions over 3 months	**1,058,796**	1,216,623		
Cash and cash equivalents in the consolidated cash flow statements	**9,069,485**	18,492,100		

21 BANK LOANS

(a) The bank loans were repayable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand	**2,760,194**	3,922,219	**–**	2,432,219
After 1 year but within 2 years	**1,649,569**	6,364,664	**284,088**	3,670,604
After 2 years but within 5 years	**6,471,421**	4,111,616	**5,397,671**	1,785,709
After 5 years	**165,000**	315,000	**–**	–
	8,285,990	10,791,280	**5,681,759**	5,456,313
	11,046,184	14,713,499	**5,681,759**	7,888,532

The bank loans were secured as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured	**5,364,425**	14,713,499	**–**	7,888,532
Unsecured	**5,681,759**	–	**5,681,759**	–
Total	**11,046,184**	14,713,499	**5,681,759**	7,888,532

21 BANK LOANS (continued)

(b) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain bank loans granted to the Group and the Company at 31 December:

(i) As at 31 December 2013, RMB3,378,750,000 (2012: RMB4,265,934,000) bank loans of the Group and RMB nil (2012: RMB547,324,000) bank loan of the Company were secured by following items:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Properties under development and completed properties held for sale	**3,098,223**	5,492,355	**–**	–
Investment properties	**12,000,999**	14,656,500	**–**	–
Bank deposits	**–**	687,154	**–**	687,154
	15,099,222	20,836,009	**–**	687,154

(ii) As at 31 December 2013, RMB373,207,000 bank loans (2012: RMB371,726,000) of the Group were secured by the shares of two subsidiaries, i.e. 50% shares of Beijing Wangjing SOHO Real Estate Co., Ltd. ("Wangjing SOHO") and 100% shares of Beijing Yirun Century Investment Management & Consulting Co., Ltd., and guaranteed by the Company (see Note 30(b)).

(iii) As at 31 December 2013, RMB1,612,468,000 bank loans (2012: RMB1,684,631,000) of the Group were secured by the shares of T&T International Investment Corporation, a subsidiary of the Group, and property and equipment of RMB636,850,000 (2012: RMB654,740,000) and guaranteed by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita (see Note 31(c)(ii)), and guaranteed by the Company (see Note 30(b)).

(iv) As at 31 December 2013, RMB5,681,759,000 bank loans (2012: RMB nil) of the Group and the Company were guaranteed by all the Subsidiaries of the Company that are not incorporated in the PRC (other than the Excluded Offshore Subsidiaries).

21 BANK LOANS (continued)

(c) The effective interest rates per annum on bank loans at amortised cost are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	%	%	**%**	%
Bank loans included in current liabilities	**6.08–7.37**	2.90–6.77	**N/A**	2.90–4.77
Bank loans included in non-current liabilities	**4.46–6.77**	4.57–8.32	**4.46–4.54**	4.57–5.91

(d) RMB6,235,509,000 bank loans (2012: RMB7,341,208,000) are subject to the fulfillment of covenants relating to certain targets of the Group's results of operation and financial position and the ratio of distribution to profit attributable to equity shareholders of the Company, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 29(b). As at 31 December 2013, none of the covenants relating to drawn down facilities had been breached.

(e) The carrying amount of bank loans are not materially different from their fair value as at 31 December 2013 and 2012. The fair value are based on cash flows discounted using a market rate and are within level 2 of the fair value hierarchy.

22 SALES DEPOSITS – THE GROUP

Sales deposits represented proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

23 TRADE AND OTHER PAYABLES – THE GROUP

	Note	2013 RMB'000	2012 RMB'000
Accrued expenditure on land and construction	(i)	**1,824,778**	1,091,125
Consideration payable for acquisition of subsidiaries and joint ventures		**100,000**	100,000
Amounts due to related parties	31(a)	**452,719**	342,078
Others		**702,940**	676,064
Financial liabilities measured at mortised costs		**3,080,437**	2,209,267
Other taxes payable	(ii)	**505,605**	447,750
		3,586,042	2,657,017

Notes:

(i) These accrued expenditure payables on land and construction are expected to be settled within a year.

The ageing analysis of accrued expenditure on land and construction based on due date is as follows:

	2013 RMB'000	2012 RMB'000
Due within 1 month or on demand	**1,333,232**	326,956
Due after 1 month but within 3 months	**491,546**	764,169
	1,824,778	1,091,125

(ii) Other taxes payable mainly comprised business tax payable, deed tax payable, urban real estate tax payable, stamp duty payable and withholding tax payable.

24 CONVERTIBLE BONDS

On 2 July 2009, the Company issued convertible bonds (the "Convertible Bonds") due 2014, bearing interest at the rate of 3.75% per annum. The aggregate principal amount of the Convertible Bonds issued is HKD2,800,000,000. Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 11 August 2009 up to and including 25 June 2014 into the Company's fully paid ordinary shares with a par value of HKD0.02 each at an initial conversion price of HKD5.88 per share subject to certain adjustments. The interest is payable semi-annually. The Convertible Bonds are listed on Singapore Stock Exchange Securities Trading Limited.

24 CONVERTIBLE BONDS (continued)

The initial recognition of the liability component of the Convertible Bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Interest expense is calculated using the effective interest method by applying the effective interest rate of 9.32% to the liability component. The excess of proceeds from the issuance of the Convertible Bonds, net of issuance costs, over the amount initially recognised as the liability component is recognised as the capital reserve in equity. The initial carrying amounts of liability and equity component of the Convertible Bonds were RMB1,914,959,000 and RMB514,395,000 upon issuance, respectively.

For the year ended 31 December 2013, the Company repurchased and the bond holders converted convertible bonds with par values of HKD443,000,000 and HKD2,357,000,000 respectively. The conversion price was HKD5.26 in the first half of 2013, and adjusted to HKD5.10 in the second half year. As at 31 December 2013, the balance of convertible bonds is nil.

25 SENIOR NOTES

The Company issued senior notes of aggregate amount of USD1,000,000,000 on 7 November 2012 (the "Senior Notes"), which will be due in 2017 and 2022, respectively. The details of the Senior Notes are as follows:

USD600,000,000 out of USD1,000,000,000 ("Senior Notes 2017") bear interest at 5.750% per annum, payable semi-annually in arrears, and will be due in 2017.

USD400,000,000 out of USD1,000,000,000 ("Senior Notes 2022") bear interest at 7.125% per annum, payable semi-annually in arrears, and will be due in 2022.

As at 31 December 2013 and 2012, the Senior Notes were guaranteed by 66 subsidiaries of the Company registered in Hong Kong, the BVI and the Cayman Islands. The guarantee will be released upon the full and final payments of the Senior Notes.

The Senior Notes are subject to the fulfillment of covenants relating to limitations on indebtedness and certain transactions of the Group, as are commonly found in issue of corporate bonds. The Group regularly monitors its compliance with these covenants. As at 31 December 2013 and 2012, none of the covenants relating to the Senior Notes had been breached.

The carrying amount of senior notes are not materially different from their fair values RMB6,042,028,000 as at 31 December 2013. The fair value is based on the quoted market price and is within level 1 of the fair value hierarchy.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	exchange reserve RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
At 1 January 2012		107,502	11,430,770	–	867	561,412	(2,071,700)	65,890	10,094,741
Loss for the year		–	–	–	–	–	–	(572,328)	(572,328)
Other comprehensive income		–	–	–	–	–	12,282	–	12,282
Loss and total comprehensive income		–	–	–	–	–	12,282	(572,328)	(560,046)
Repurchase of own shares	26c(i)								
– par value paid		(1,476)	–	(362)	–	–	–	–	(1,838)
– premium paid		–	(317,853)	(108,770)	–	–	–	–	(426,623)
– transfer between reserves		–	(1,476)	–	1,476	–	–	–	–
Dividends approved in respect of the previous year	26(b)	–	(570,752)	–	–	–	–	–	(570,752)
Dividends declared in respect of the current year	26(b)	–	(619,697)	–	–	–	–	–	(619,697)
Share issued under the employees share option schemes	26(c)(i)	3	763	–	–	(178)	–	–	588
Employees' share award scheme	28(b)	–	–	–	–	4,328	–	–	4,328
Employees' share option schemes	28(a)	–	–	–	–	196	–	–	196
Vesting of shares under employees's share award scheme	28(b)	–	52	–	–	(1,012)	–	–	(960)
At 31 December 2012		106,029	9,921,807	(109,132)	2,343	564,746	(2,059,418)	(506,438)	7,919,937

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) **Movements in components of equity** (continued)

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	exchange reserve RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
At 1 January 2013		106,029	9,921,807	(109,132)	2,343	564,746	(2,059,418)	(506,438)	7,919,937
Loss for the year		–	–	–	–	–	–	(762,816)	(762,816)
Other comprehensive income		–	–	–	–	–	(183,722)	–	(183,722)
Loss and total comprehensive income		–	–	–	–	–	(183,722)	(762,816)	(946,538)
Repurchase of own shares	*26c(i)*								
– par value paid		(5,561)	–	432	–	–	–	–	(5,129)
– premium paid		–	(1,469,341)	108,700	–	–	–	–	(1,360,641)
– transfer between reserves		–	(5,561)	–	5,561	–	–	–	–
Conversion of convertible bonds		7,359	2,186,801	–	–	(390,469)	–	–	1,803,691
Repurchase of convertible bonds		–	–	–	–	(123,926)	–	–	(123,926)
Dividends approved in respect of the previous year	*26(b)*	–	(644,019)	–	–	–	–	–	(644,019)
Dividends declared in respect of the current year	*26(b)*	–	(582,428)	–	–	–	–	–	(582,428)
Share issued under the employees' share option schemes	*26(c)(i)*	41	15,671	–	–	(3,729)	–	–	11,983
Employees' share award scheme	*28(b)*	–	–	–	–	7,533	–	–	7,533
Employees' share option schemes	*28(a)*	–	–	–	–	1,266	–	–	1,266
Vesting of shares under employees's share award scheme	*28(b)*	–	559	–	–	(4,804)	–	–	(4,245)
Hedging	*14*	–	–	–	–	(3,449)	–	–	(3,449)
At 31 December 2013		107,868	9,423,489	–	7,904	47,168	(2,243,140)	(1,269,254)	6,074,035

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2013 **RMB'000**	2012 RMB'000
Interim dividend declared and paid of RMB0.12 per ordinary share (2012: RMB0.12 per ordinary share)	**582,428**	619,697
Final dividend proposed after the balance sheet date of RMB0.13 per ordinary share (2012: RMB0.13 per ordinary share)	**687,722**	655,601
	1,270,150	1,275,298

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2013 **RMB'000**	2012 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.13 per ordinary share (2012: RMB0.11 per ordinary share)	**644,019**	570,752

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital and treasury shares

(i) Share capital

		2013 NO. of shares (thousands)	2013 Share capital RMB'000	2012 NO. of shares (thousands)	2012 Share capital RMB'000
Authorised:					
Ordinary shares of HKD0.02 each		**7,500,000**		7,500,000	
Issued and fully paid:					
At 1 January		**5,112,616**	**106,029**	5,188,656	107,502
Shares repurchased last year and cancelled this year		**(22,300)**	**(432)**	–	–
Shares repurchased and cancelled this year	*(ii)*	**(264,861)**	**(5,129)**	(76,210)	(1,476)
Shares issued under the employees' share option schemes		**2,558**	**41**	170	3
Conversion of convertible bonds		**462,156**	**7,359**	–	–
At 31 December		**5,290,169**	**107,868**	5,112,616	106,029

During the year ended 31 December 2013, options were exercised to subscribe for 2,558,000 ordinary shares (2012: 170,000) of the Company at consideration of RMB11,983,000 (2012: RMB588,000) of which RMB41,000 (2012: RMB3,000) was credited to share capital and the balance of RMB11,942,000 (2012: RMB585,000) was credited to the share premium. RMB3,729,000 (2012: RMB178,000) has been transferred from capital reserve to share premium in accordance with policy set out in Note 1(p)(ii).

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) **Share capital and treasury shares** (continued)

(ii) Shares repurchased and cancelled

During the year ended 31 December 2013, the Company repurchased its own shares on the Main Board of The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased (Share)	Highest price Paid per share HKD	Lowest price paid per share HKD	Consideration paid HKD'000
January 2013	(47,745,500)	6.99	6.16	309,237
March 2013	(45,705,000)	6.54	5.98	286,923
April 2013	(16,243,500)	6.85	6.45	108,372
May 2013	(56,531,000)	7.00	6.43	382,731
June 2013	(66,756,000)	6.68	5.30	412,549
July 2013	(31,880,000)	6.70	6.14	202,495
	(264,861,000)			1,702,307

All the repurchased shares were cancelled during this year and 22,300,000 shares repurchased last year were cancelled this year and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of HKD5,743,230 was transferred from share premium to the capital redemption reserve.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital and treasury shares (continued)

(iii) Treasury shares

	Note	2013 NO. of shares '000	2013 Share capital RMB'000	2012 NO. of shares '000	2012 Share capital RMB'000
At 1 January		**32,510**	**152,097**	6,593	26,300
Shares repurchased and cancelled		**(22,300)**	**(109,132)**	3,879	17,625
Shares purchased for employees' share award scheme		**231**	**1,212**	22,300	109,132
Vesting of shares under employee's share award scheme	*28(b)*	**(1,189)**	**(4,245)**	(262)	(960)
At 31 December		**9,252**	**39,932**	32,510	152,097

Details of treasury shares purchased during the year ended 31 December 2013 are as follows:

Month/year	Number of shares repurchased (Share)	Highest price Paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
Jun 2013	230,500	6.64	6.34	1,530

(iv) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	2013 Number	2012 Number
8 October 2008 to 7 October 2013	HKD8.30	**–**	5,481,660
30 January 2009 to 29 January 2014	HKD6.10	**45,000**	2,606,000
30 June 2009 to 29 June 2014	HKD4.25	**–**	300,000
6 November 2013 to 5 November 2022	HKD5.53	**8,184,000**	8,184,000
		8,229,000	16,571,660

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 28(a).

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Awarded Shares (see Note 28) and the equity component of the Convertible Bonds (see Note 24).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(t).

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for office premises in Note 1(h).

The revaluation reserve of the Company in respect of office premises is distributable to the extent of RMB nil (2012: RMB nil).

(v) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB8,104,514,000 (2012: RMB9,306,237,000), including retained profits or accumulated losses, the treasury shares, the share premium and the distributable revaluation reserve as disclosed in Notes 26(d)(i) and 26(d)(iv), respectively. After the balance sheet date the directors proposed a final dividend of RMB13 cents per ordinary share (2012: RMB13 cents per ordinary share), amounting to RMB687,722,000 (2012: RMB655,601,000). This dividend has not been recognised as a liability at the balance sheet date.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate projects, and continue to provide returns for shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged since 2007, as defined by the Group, being the total of bank and interest bearing borrowings (including convertible bonds and senior notes) divided by the total assets. As at 31 December 2013, the gearing ratio of the Group was 21.93% (2012: 28.55%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the Beijing Municipal Labour Bureau and Shanghai Municipal Labour Bureau for its staff. The Group was required to make contributions to the retirement scheme at 20% and 22% of the gross salaries of its staff in Beijing and Shanghai, respectively, during the years ended 31 December 2013 and 2012.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Employees' share option schemes

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HKD1 consideration to subscribe for shares of the Company. The options vest in a period of three to seven years from the date of grant and are exercisable within a period of six to ten years. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting condition's	Contractual life of options
Options granted to directors:			
– on 8 October 2007	1,573,750	Three years from the date of grant	6 years
– on 30 January 2008	1,124,000	Three years from the date of grant	6 years
– on 30 June 2008	500,000	Three years from the date of grant	6 years
– on 6 November 2012	8,184,000	Seven years from the date of grant	10 years
Options granted to employees:			
– on 8 October 2007	10,484,250	Three years from the date of grant	6 years
– on 30 January 2008	6,135,000	Three years from the date of grant	6 years
– on 30 June 2008	580,000	Three years from the date of grant	6 years
Total share options	28,581,000		

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) **Employees' share option schemes** (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price HKD	**Number of options '000**	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the year	**6.51**	**16,572**	7.46	10,453
Granted during the year	**–**	**–**	5.53	8,184
Exercised during the year	**5.88**	**(2,558)**	4.25	(170)
Forfeited during the year of the year	**8.18**	**(5,785)**	7.69	(1,895)
Outstanding at the end of the year	**5.53**	**8,229**	6.51	16,572
Exercisable at the end of the year	**6.10**	**45**	7.47	8,388

The options outstanding at 31 December 2013 had an exercise price of HKD 6.10 or HKD5.53 (2012: HKD8.30, HKD6.10, HKD4.25 or HKD5.53).

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) **Employees' share option schemes** (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Model or Binomial Tree Pricing Method. The contractual life of the share option is used as an input into these models. Expectations of early exercise are incorporated into the Black-Scholes Model or Binomial Tree Pricing Method.

	Granted on 30 June 2008 HKD	Granted on 30 January 2008 HKD	Granted on 8 October 2007 HKD	Granted on 6 November 2012 HKD
Fair value at measurement date	HKD1.51	HKD2.24	HKD3.25	HKD1.79
Share price	HKD4.25	HKD6.10	HKD8.30	HKD5.53
Exercise price	HKD4.25	HKD6.10	HKD8.30	HKD5.53
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model or Binomial Tree Pricing Method)	49.36%	46.35%	45.91%	48.37%
Expected dividends	2.278%	0.5192%	0.478%	5.56%
Risk-free interest rate (based on Exchange Fund Notes)	3.111%	1.980%	3.9275%	0.65%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Employees' share award scheme

Employees' share award scheme in which all employees (including without limitation any executive directors) of the Group would be entitled to participate was launched by the Group on 23 December 2010. The purpose of the employees' share award scheme is to give incentive to participants in order to retain them for the continued operation and development of the Group. Vested shares will be transferred at no cost to the selected employees. For employees who are granted the shares but cease employment with the Group before vesting, the unvested shares are forfeited.

The fair value of each share granted is based on the share price at grant date which could be obtained from the stock market directly. Shares are granted under a service condition. There is no market conditions associated with the shares awards.

Details of the shares awarded and vested during 2012 and 2013 are set out below:

Month of shares purchased	Number of shares purchased	Consideration of shares purchased HKD'000	Month of award	Number of shares awarded	Number of awarded shares vested	Average fair value vested per share HKD	Vesting period	Remaining vesting period
September 2009	735,000	3,313	March 2011	735,000	(491,380)	5.97	9 March 2012 – 9 March 2014	0.18 year
September 2009	1,299,500	5,857	January 2012	1,299,500	(418,886)	5.24	13 January 2013 – 13 January 2015	0.03 year to 1.03 years
September 2009	175,500	791	November 2012	175,500	(175,500)	5.61	7 November 2013 – 7 November 2019	–
September 2011	232,000	1,157	November 2012	232,000	(232,000)	5.61	7 November 2013 – 7 November 2019	–
October 2011	3,113,000	15,194	November 2012	3,113,000	(133,574)	5.61	7 November 2013 – 7 November 2019	0.85 year to 5.85 years
November 2011	1,038,000	5,188	November 2012	1,038,000	–	5.61	7 November 2013 – 7 November 2019	5.85 years
June 2012	155,500	838	November 2012	155,500	–	5.61	7 November 2013 – 7 November 2019	5.85 years
October 2012	188,000	945	November 2012	188,000	–	5.61	7 November 2013 – 7 November 2019	5.85 years
November 2012	264,700	1,498	November 2012	264,700	–	5.61	7 November 2013 – 7 November 2019	5.85 years
November 2012	3,270,300	18,503	March 2013	1,428,500				
Total	10,471,500	53,284		8,629,700	(1,451,340)			

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Employees' share award scheme (continued)

Movements in the number of shares awarded and dividend shares were as follows:

	2013 Number of awarded shares and dividend shares	2012 Number of awarded shares and dividend shares
Outstanding at 1 January	**7,087,900**	784,500
Awarded	**1,428,500**	6,466,200
Vested	**(1,118,337)**	(245,000)
Dividend shares		
– allocated to awardees	**–**	99,200
– vested	**(71,003)**	(17,000)
Outstanding at 31 December	**7,327,060**	7,087,900

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, and interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not deliver properties to tenants before it receives the rental deposits and would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

As at 31 December 2013 and 2012, the Group had no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

The Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) and rentals received from tenants to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects and from future rentals collected will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses, issuing convertible bonds and senior notes, and the raising of loans to cover expected cash demands, subject to approval by the Company's board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	2013 Contractual undiscounted cash outflow						2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
The Group												
Bank loans	(2,961,608)	(1,832,664)	(7,066,802)	(181,547)	(12,042,621)	11,046,184	(4,578,561)	(6,562,780)	(4,840,241)	(337,039)	(16,318,621)	14,713,499
Convertible bonds	-	-	-	-	-	-	(85,139)	(2,314,605)	–	–	(2,399,744)	2,092,476
Senior notes	(384,105)	(384,105)	(4,600,111)	(3,133,807)	(8,502,128)	6,024,175	(336,917)	(395,986)	(4,974,139)	(3,435,112)	(9,142,154)	6,198,433
Contract retention payables	(472,303)	-	-	-	(472,303)	472,303	–	(487,303)	(172,886)	–	(660,189)	660,189
Financial liabilities measured at amortised costs	(3,080,437)	-	-	-	(3,080,437)	3,080,437	(2,209,267)	–	–	–	(2,209,267)	2,209,267
	(6,898,453)	(2,216,769)	(11,666,913)	(3,315,354)	(24,097,489)	20,623,099	(7,209,884)	(9,760,674)	(9,987,266)	(3,772,151)	(30,729,975)	25,873,864
The Company												
Bank loans	-	(492,959)	(5,854,301)	-	(6,347,260)	5,681,759	(2,756,045)	(3,921,900)	(1,867,108)	–	(8,545,053)	7,888,532
Convertible bonds	-	-	-	-	-	-	(85,139)	(2,314,605)	–	–	(2,399,744)	2,092,476
Other payables	(84,792)	-	-	-	(84,792)	84,792	(122,769)	–	–	–	(122,769)	122,769
Senior notes	(384,105)	(384,105)	(4,600,111)	(3,133,807)	(8,502,128)	6,024,175	(336,917)	(395,986)	(4,974,139)	(3,435,112)	(9,142,154)	6,198,433
Amounts due to subsidiaries	(783,272)	-	-	-	(783,272)	783,272	(1,121,036)	–	–	–	(1,121,036)	1,121,036
	(1,252,169)	(877,064)	(10,454,412)	(3,133,807)	(15,717,452)	12,573,998	(4,421,906)	(6,632,491)	(6,841,247)	(3,435,112)	(21,330,756)	17,423,246

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

The interest rates of the Group's bank loans, convertible bonds and senior notes are disclosed in Notes 20, 23 and 24, respectively. The annual interest rates of the Group's deposits at bank ranged from 0.35% to 3.30% as at 31 December 2013 (2012: 0.35% to 3.30%).

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in borrowing interest rates for bank loans, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB7,125,000 (2012: RMB56,866,000) and would increase/decrease the Group's properties under development and completed properties held for sale and investment properties by approximately RMB100,962,000 (2012: RMB74,623,000). In addition, it is estimated that a general increase/decrease of 100 basis points in bank deposit interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB73,959,600 (2012: RMB190,450,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2012.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through PBOC or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB and HKD. Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Foreign currency risk (continued)

Included in cash and cash equivalents, bank loans and senior notes in the consolidated balance sheet and the Company's balance sheet as at 31 December 2013 and 2012, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	USD'000	USD'000	**USD'000**	USD'000
United States Dollars ("USD")				
– Cash and cash equivalents	**15,036**	1,338,444	**10,952**	1,329,710
– Bank loans	**(745,000)**	(990,000)	**(415,000)**	(660,000)
– Senior notes	**(1,000,000)**	(1,000,000)	**(1,000,000)**	(1,000,000)

As at 31 December 2013, if RMB had weakened/strengthened 5% against US dollar with all other variables held constant, post-tax profit for the year would have been RMB64,873,000 lower/higher (2012:RMB24,433,000).

(e) Fair values

Investment properties and cash flow hedge are stated as fair value, other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012.

The method and major assumptions used in estimating the fair value of the share options granted to employees of the Group are set out in Note 27. The unit fair values of the Awarded Shares are share price at grant dates which can be obtained from the stock market directly.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

The table below analyses investment properties and cash flow hedge carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013. See Note 10 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	48,728,000	48,728,000
Office premises	–	–	354,462	354,462
Total assets	–	–	49,082,462	49,082,462
Liabilities				
Derivatives used for hedging	–	3,449	–	3,449
Total liabilities	–	3,449	–	3,449

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	38,310,000	38,310,000
Office premises	–	–	354,462	354,462
Total assets	–	–	38,664,462	38,664,462

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 during the year.

An independent valuation of the Group's investment properties was performed by an valuer, CBRE, to determine the fair value of the investment properties as at 31 December 2013 and 2012. The following table analyses the investment properties carried at fair value, by valuation method.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) **Fair values** (continued)

Fair value measurements

Description	At 31 December 2013 using Significant unobservable inputs (Level 3) RMB'000
Investment properties:	
– Investment properties under construction	39,943,000
– Completed investment properties for retail located in Beijing	5,998,000
– Completed investment properties used as office located in Shanghai	2,787,000
Total	48,728,000

Valuation process of the Group

The Group's investment properties were valued at 31 December 2013 by independent professionally qualified valuers, CBRE, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the Audit Committee (AC).

At the end of each financial reporting period the finance department:

- Verifies all major inputs to the independent valuation report;
- Analyses property valuation movements and changes in fair values when compared to the prior period valuation report;
- Holds discussions with the independent valuer and reports to the CFO and AC.

Valuation techniques

Fair values of properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

For completed investment properties, the valuation was determined using the income capitalization approach (term and reversionary method). Final valuation results will also take reference to the valuation using sale comparison approach.

There were no changes to the valuation techniques during the year.

When using sale comparison method, sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values (continued)

When using income capitalization approach, unobservable inputs will be used and taken into account. These unobservable inputs includes:

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 Dec 2013 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction	39,943,000	Residual method	Price per square meter	Office: 34,000–88,000 Retail: 33,000–102,000	The higher the price per square, the higher the fair value
			Cost to completion (Per square meter)	RMB2,500–RMB11,250	The higher the cost to completion, the lower the fair value
			Developer's profit (Per square meter)	RMB1,400–RMB6,750	The higher the developer's profit, the lower the fair value
Completed investment properties for retail located in Beijing	5,998,000	Income approach take reference to Sale comparison method	Term yield	4.0%–4.5%	The higher the term yield, the lower the fair value
			Reversionary yield	4.7%–5.2%	The higher the reversionary yield, the lower the fair value
			Rental per square meter during reversionary period (Per square meter per day)	RMB11–RMB25	The higher the rental per square meter, the higher the fair value
			Estimated price (Per square meter)	RMB60,000–RMB145,000	The higher the price per square the higher the fair value
Completed investment properties used as office located in Shanghai	2,787,000	Income approach take reference to Sale comparison method	Term yield	4.25%–4.5%	The higher the term yield, the lower the fair value
			Reversionary yield	4.75%–5.0%	The higher the reversionary yield, the lower the fair value
			Rental per square meter during reversionary period (Per square meter per day)	RMB9 – RMB11	The higher the rental per square, the higher the fair value
			Estimated price (Per square meter)	RMB62,000	The higher the price per square, the higher the fair value

30 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

(i) Commitments in respect of properties under development, investment properties and purchase of properties outstanding at 31 December not provided for in the financial statements were as follows:

	The Group	
	2013	2012
	RMB'000	RMB'000
Contracted for	**3,671,378**	4,902,875
Authorized but not contracted for	**3,459,160**	6,998,629
	7,130,538	11,901,504

(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB6,338,823,000 as at 31 December 2013 (2012: RMB5,593,435,000).

As at 31 December 2013, the Company provided guarantees to two (2012: two) subsidiaries with respect to their bank loans of RMB1,985,675,000 (2012: RMB2,056,357,000).

(c) Investment properties and properties held for sale

The Group leases out investment properties and certain properties held for sale under operating leases. The leases typically run for an initial period of 1 to 8 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease revenue under non-cancellable operating leases are receivable as follows:

	The Group	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**312,099**	129,254
After 1 year but within 5 years	**802,512**	318,174
After 5 years	**124,571**	11,324
	1,239,182	458,752

30 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(d) Legal contingencies

Other than the legal matter disclosed in Note 13, the Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position, liquidity, or operating results of the Group.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Amounts due to related parties and corresponding transactions

Amounts due to related parties, included in current liabilities, comprise:

	Note	**2013 RMB'000**	2012 RMB'000
Shanghai YiDian	*(i)*	**241,871**	171,039
Shanghai Rural Commercial Bank	*(i)*	**210,848**	171,039
		452,719	342,078

(i) The balances as at 31 December 2013 mainly represented the advances of RMB452,719,000 (2012: RMB342,078,000) from Shanghai Yi Dian Holdings (Group) Co., Ltd. ("Shanghai Yi Dian") and Shanghai Rural Commercial Bank, the non-controlling equity holders of a subsidiary, Shanghai Ding Ding Real Estate Development Co., Ltd., a subsidiary of the Company, which were interest-free, unsecured and had no fix term of repayment.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6 and certain of the highest paid employees as disclosed in Note 7 is as follows:

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	**29,838**	36,281
Post-employment benefits	**111**	131
Share-based payments	**8,799**	4,525
	38,748	40,937

Total remuneration is included in "Staff costs" (see Note 3(b)).

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Other related party transactions

(i) Beijing Redstone Industry Co., Ltd. ("Redstone Industry"), a company controlled by Mr. Pan Shiyi, entered into agreements with certain banks in 1998 and 1999 with respect to guarantees for mortgage loans provided to certain buyers of the Group's properties. Redstone Industry provided guarantees amounting to RMB2,443,000 for these buyers as at 31 December 2013 (2012: RMB5,959,000). The guarantee period generally ranged from 2 to 17 years.

(ii) The controlling shareholders Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita entered into guarantee agreements with a bank with respect to the long-term bank loans amounted to RMB1,612,468,000 as at 31 December 2013 (2012: RMB1,684,631,000) provided to the Group. The guarantees will be released upon the repayment of the bank loans.

(d) None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

32 CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development and property investment activities.

(a) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

32 CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (continued)

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(j), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for 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 realizable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such revision requires the use of judgment 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.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

32 CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (continued)

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(k)(ii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Valuation of investment properties

As described in Note 10(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential. Details of the valuation approaches for investment properties are set out in Note 29(e).

(f) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Description	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27 *"Consolidation for investment entities"*	1 January 2014
Amendment to HKAS 39 *'Financial Instruments: Recognition and Measurement' – 'Novation of derivatives'*	1 January 2014
HK(IFRIC) 21 *'Levies'*	1 January 2014
Amendment to HKAS19 *regarding defined benefit plans*	1 July 2014
Annual improvements 2010–2012 cycle	1 July 2014
Annual improvements 2011–2013 cycle	1 July 2014
HKFRS 9, *Financial instruments*	Later than 1 January 2015
HKFRS 14 *Regulatory deferred accounts*	1 January 2016

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application.

34 ULTIMATE HOLDING COMPANY

At 31 December 2013, the directors consider the ultimate holding company to be Capevale Ltd., which is incorporated in the Cayman Islands. This entity does not produce financial statements available for public use.

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 27 February 2014, the Group entered into agreements with Financial Street Holdings Co., Ltd ("Financial Street"), pursuant to which the Group agreed to sell to Financial Street its entire equity interests and the related shareholders loans in two subsidiaries which holds SOHO Hailun Plaza and SOHO Jing'an Plaza, for a total consideration of approximately RMB5.23 billion.

SOHO 中國 CHINA