SOHO CHINA

Stock Code: 410

SOHO CHINA LIMITED

ANNUAL REPORT 2014

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 2014 (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 Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2014 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 6 March 2015.

During the Period, the Group achieved a turnover of approximately RMB6,098 million, including RMB5,674 million from property sales, representing a decrease of approximately 60% compared with the same period of 2013 and approximately RMB424 million from property leasing, representing an increase of approximately 52% compared with the same period in 2013. The gross profit margin of the Group during the year was approximately 50%. Net profit attributable to equity shareholders of the Company for the Period was approximately RMB4,080 million, representing a decrease of approximately 45% compared to 2013. Core net profit (excluding net valuation gains on investment properties) attributable to equity shareholders of the Company for the Period was approximately RMB1,778 million, which decreased by approximately 60% from 2013. The core net profit margin during the Period was approximately 29%.

The Board recommended the payment of a final dividend of RMB0.13 per share for the year ended 31 December 2014 which is subject to shareholders' approval at the annual general meeting of the Company to be held on Friday, 8 May 2015 (the "AGM").

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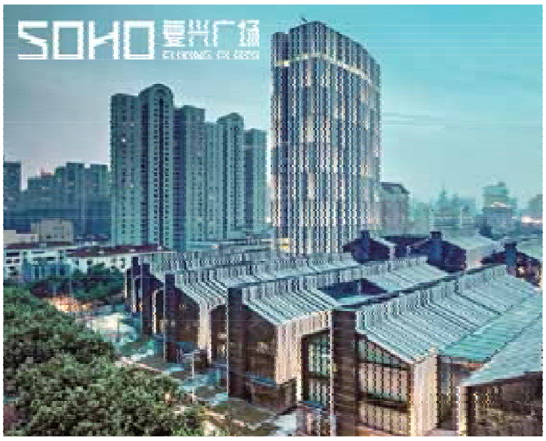
CHAIRMAN'S STATEMENT

Thanks to the strong balance sheet, efficient and transparent leasing system, solid and sound operational management, as well as the unremitting team efforts, SOHO China, as the leading landlord in the prime office market in China, has achieved continuous breakthroughs and advancements in all aspects of its business in 2014.



In 2014, SOHO China achieved a turnover of approximately RMB6,098 million with a gross profit margin of approximately 50%, and a net profit attributable to equity shareholders of the Company of approximately RMB4,080 million. Core net profit (excluding valuation gains on investment properties) was approximately RMB1,778 million, and core net profit margin was approximately 29%. As more investment properties were completed and delivered for leasing, the scale of lettable gross floor area ("GFA") grew and the rental income increased rapidly. SOHO China recorded rental income of approximately RMB424 million in 2014, representing an increase of approximately 52% year over year. The annual rental income of Qianmen Avenue project and SOHO Century Plaza increased by approximately 32% and 24% respectively compared with last year. Wangjing SOHO Tower 3, SOHO Fuxing Plaza and Sky SOHO, which were newly delivered during the Year, also started to make contribution to the rental income. At the end of 2014, the Company had total cash of approximately RMB12.5 billion with a net gearing ratio of only 19%. SOHO China has been adhering to prudent and counter-cycled acquisition discipline. In 2014, SOHO China did not make any land or project acquisition. On the contrary, we sold three projects in Shanghai through equity or assets transfer with a total consideration of approximately RMB8,282 million. In the medium to long run, we continue to see great value and asset appreciation potential for high quality office projects in the prime locations of Beijing and Shanghai, the two international metropolitan cities of China. We will gradually expand our asset portfolio as and when the opportunities arise.

With the completion of four investment properties in 2014, including Wanging SOHO Tower 3 and Guanghualu SOHO II in Beijing as well as SOHO Fuxing Plaza and Sky SOHO in Shanghai, the total GFA of our completed investment properties reached approximately 838,000 sq.m. as at 31 December 2014. It means that nearly half of the investment property portfolio on hand was completed and was made available for leasing. According to the construction schedule of the Company, we expect the remaining half of the investment property portfolio will be fully completed by the end of 2018. SOHO China will by then hold approximately 1.8 million square meters of completed commercial properties consisting of mainly office buildings in the prime locations of Beijing and Shanghai.

The vacancy rate of quality office buildings in Lujiazui area in Pudong, Shanghai was approximately 1.6% at the end of 2014. Thanks to the strong demand in the Lujiazui area, SOHO Century Plaza has been almost fully occupied throughout the year of 2014. By the end of 2014, the occupancy rate of Qianmen Avenue project reached approximately 76.2%. The strategy to attract high quality tenants which fits the positioning of the project remains unchanged. In addition, the leasing results of the newly completed Wangjing SOHO Tower 3 and SOHO Fuxing Plaza in 2014 were also very delightful. Wangjing SOHO Tower 3 was completed and delivered in September 2014 and was launched for pre-lease in late April 2014. As at 31 December 2014, the project with a total GFA of approximately 170,000 square meters achieved approximately 68.9% occupancy rate, with over 70% of the tenants of the project by GFA coming from high technology or internet industry. SOHO Fuxing Plaza, with a total GFA of approximately 137,000 square meters, was completed and delivered in September 2014. Its occupancy rate reached approximately 64.4% at the end of 2014. In November 2014, both Guanghualu SOHO II and Sky SOHO were completed and launched for leasing with good momentum. As at 31 December 2014, the occupancy rate of Guanghualu SOHO II and Sky SOHO were 6.0% and 7.3% respectively.

In terms of management and operation of investment properties, SOHO China established its unique innovative online leasing platform www.sohochinaleasing.com. We publicize all the leasing related information including rentals, leasable GFAs, delivery standards, samples of leasing contract, leasing tenure, payment terms, etc. through this online system. We believe that the open, transparent and standardized leasing platform will not only benefit our tenants but will also lay a solid foundation for the long-term development of the Company. First of all, the leasing system allows us to gain access to a much larger potential tenant base with domestic companies as the main targets. Secondly, it helps to boost the occupancy rates of our investment properties by improving the efficiency of the leasing work. We believe it is important to have buildings with high occupancy rates, as both potential retail and office tenants are attracted to buildings which already have a significant tenant population. Meanwhile, openness, transparency and standardization will also help the Company to substantially reduce the operational costs involved with leasing activities.

In 2014, demand in the office rental markets in Beijing and Shanghai was vigorous. Vacancy rates remained at historically low levels, while rental price levels increased steadily. According to market reports from Savills, at the end of 2014, the monthly rent of prime offices in Beijing was RMB317 per square meter, representing a year-on-year increase of 2.2%. The vacancy rate of Beijing was 4.8% at the end of 2014 which remained basically unchanged compared with last year. The monthly rent of prime offices in Shanghai was RMB262 per square meter at the end of 2014, representing a year-on-year increase of 1.8%. The vacancy rate was 8.6% at the end of 2014 which was largely unchanged compared to last year. Although the economic growth of China slowed down in 2014, SOHO China remained confident on the market outlook of prime office spaces in Beijing and Shanghai. We believe that new supply of office spaces will continue to emerge in both cities as the local economies develop. However, the demand for prime office spaces will also increase steadily over time. In particular, the scarcity of properties in the prime locations of Beijing and Shanghai will further support and enhance the asset value of such properties.

Over the past 30 years, China has experienced rapid growth, transforming from a planned economy to a market economy. The economic reform improved the quality of life for citizens. Nevertheless, as part of the economic development, massive construction projects have been carried out throughout the country and the level of industrialization has increased dramatically. These changes have created tremendous pressures on the environment, such as the deterioration of air quality and the decrease in fresh water reserves which have adversely affected the public health.

SOHO China has set very high standards for project design and innovation. We recruited world leading architects and built landmark buildings in both Beijing and Shanghai. Importantly, we have always emphasized on construction quality and have continued to improve the construction standards of our projects. Environmental quality is one of our most concerned matters. The Company integrated the concept of "Leadership in Energy and Environmental Design" ("LEED"), a world's leading green building certification system, into our construction projects long time ago. SOHO China currently has 12 registered or certified LEED projects, including the LEED-CS Gold Certification of SOHO Fuxing Plaza and Wangjing SOHO. LEED is a profound global evaluation system, which conducts a comprehensive evaluation of the impact of properties to the environment from six aspects, including sustainable project site, water efficiency, energy & atmosphere, material & resources, indoor environmental quality, design innovation and regional priority.

The issue of PM2.5 has become a concern to the whole society in China. We notice that people living in cities spend 90% of their time in indoor areas or in vehicles. As such, it would be beneficial if we can improve the air quality in the indoor areas. We first started to install PM2.5 air purification system in our project – Galaxy SOHO – in Beijing and this turned out to be a great success. Now, no matter what the outdoor air quality is, the indoor air quality of Galaxy SOHO is always better than the standard in the PRC and better than the standards in the U.S. during most of the time. Going forward, all projects developed by SOHO China will be equipped with PM2.5 filtration systems such that people working and living in SOHO China's properties can all enjoy healthy and clean air.

In recent year, another green initiative we undertook was the establishment of SOHO China Energy Conservation Center. Energy consumption is the root cause of air pollution. As a property developer, we can help controlling the energy consumption of our properties. SOHO China has achieved many breakthroughs in the area of energy saving in 2014. During the Year, we have established a full set of energy management system with leading technology, enormous database and comprehensive structure. Also, we formed a management team which composed of many internal departments including design, project construction and property management which has made continuous efforts to research, plan and implement the energy saving measures. Our goal is to save 30% of the energy consumption for each property project developed by SOHO China in the future. We believe that by reducing the energy consumption of our properties we will not only be able to achieve cost saving but can also help to protect our environment through addressing the root cause of pollution.

BUSINESS REVIEW

The following table summarizes certain details of our rental properties as at 31 December, 2014:

Status/ Completion Date	Project Name	City	Interests %	Total planned GFA sq.m.	Leasable GFA sq.m.	Office sq.m.	Retail sq.m.	Hotel sq.m.	Property Value December 2014 RMB Million
Completed	Qianmen Avenue Project	Beijing	100%	54,700	54,691		54,691		
Completed	SOHO Century Plaza	Shanghai	100%	59,000	42,954	42,522	432		
Completed	Wangjing SOHO T3	Beijing	100%	170,000	127,894	123,568	4,326		
Completed	Guanghualu SOHO II	Beijing	100%	166,000	95,906	64,032	31,874		
Completed	Sky SOHO	Shanghai	100%	171,500	128,128	102,964	25,164		
Completed	SOHO Fuxing Plaza	Shanghai	100%	137,000	88,328	57,039	31,289		
Completed	Others[1]	Beijing/ Shanghai	100%	80,000	62,349	23,888	38,461		
Under Development/ May-2015	Bund SOHO	Shanghai	90%	130,000	75,475	51,615	23,860		
Under Development/ August-2015	Hongkou SOHO	Shanghai	100%	96,000	65,069	60,729	4,340		
Under Development/ November-2016	SOHO Tianshan Plaza	Shanghai	100%	170,000	111,684	72,643	15,139	23,902	
Under Development/ 2018	SOHO Leeza	Beijing	100%	170,000	124,000				
Under Development/ 2018	Gubei Project	Shanghai	100%	150,000	105,476				
Subtotal:				1,554,200	1,081,954				52,875
Joint-Controlled Entity/2015	8-1 Project	Shanghai	50%	213,000	145,485				
Completed	Commune by the Great Wall	Beijing	100%	30,714	30,714			30,714	
Total				1,797,914	1,258,153				

Note:

1. Others include office and retail spaces we hold in three projects: Galaxy SOHO, Wangjing SOHO Towers 1 and 2, and The Exchange SOHO.

The details of rental income and occupancy rates of rental properties of the Company in 2014 are as follows:

Project Name	Completion Date	Leasable GFA sq.m.	Rental Income 2014 RMB Million	Rental Income 2013 RMB Million	YoY Change %	Occupancy Rate 31 December 2014 %	Occupancy Rate 31 December 2013 %
Qianmen Avenue Project	2010/2012	35,317	108	82	31.7%	76.2%	65.4%
SOHO Century Plaza	2012	42,954	108	87	24.1%	94.5%	99.0%
Wangjing SOHO Tower 3	September 2014	127,894	48	N/A	N/A	68.9%	N/A
SOHO Fuxing Plaza	September 2014	88,328	31	N/A	N/A	64.4%	N/A
Sky SOHO	November 2014	128,128	2	N/A	N/A	7.3%	N/A
Guanghualu SOHO II	November 2014	95,906	N/A	N/A	N/A	6.0%	N/A
Others[1]		63,390	127	110	15.5%		
Total		**581,917**	**424**	**279**	**51.7%**		

Note:

1. Others represent unsold units of projects previously developed by the Company.

Completed Properties

QIANMEN AVENUE PROJECT

Qianmen Avenue project is located in the Qianmen area immediately south of Tiananmen Square, within one of the largest 'Hutong' (traditional Beijing courtyards) conservation areas in Beijing. We have the right to retail space of approximately 54,691 sq.m., of which approximately 35,317 sq.m. is currently available for lease. We hold Qianmen Avenue project as an investment property in our investment holdings portfolio with the aim to continue to develop it into a premier "tourist destination" known throughout China and other Asian countries.

We have successfully repositioned and upgraded the tenant base of Qianmen Avenue project with the introduction of many well-known international and local brands. The current well-known brands include, among others, Samsung, Lenovo, Korea's CJ Group and Madame Tussaud's Wax Museum.

As at 31 December 2014, the occupancy rate of Qianmen Avenue project was 76.2%.

SOHO CENTURY PLAZA

The project is the first completed office building wholly-owned by the Group in Shanghai as an investment property. The project is almost 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 on Century Avenue in Zhu Yuan business district of Pudong District in Shanghai. The project is close to the Lujiazui financial district and is 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 of walking distance to Pudian Road Station on subway line 4 and within eight minutes of 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.

WANGJING SOHO

Designed by Zaha Hadid Architects, Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing consisting of a total GFA of approximately 520,000 sq.m. and a total sellable/leasable GFA of approximately 417,358 sq.m.. The project comprises three towers (Towers 1, 2 and 3).

Towers 1 and 2 were completed at the end of 2013 and had been largely fully sold and booked by the end of 2014. Tower 3 was completed in September 2014. The Group commenced pre-leasing of Tower 3 in late-April of 2014, and as at 31 December 2014, the occupancy rate reached 68.9%.

The Wangjing area where Wangjing SOHO is located in is one of Beijing's most well-developed high-end residential areas which noticeably lacks large-scale office and commercial facilities. Upon full completion of Wangjing SOHO in 2014, the project has significantly enhanced and balanced the overall urban make-up of the Wangjing area. The tallest building of the project, with a construction height of nearly 200 meters, is the first landmark and a point of access to central Beijing from the airport expressway. Currently, Wangjing area is also home to the China headquarters of many prestigious multinational companies such as Daimler, Siemens, Microsoft, and Caterpillar.

望京
WANGJING SOHO

SOHO FUXING PLAZA

SOHO Fuxing Plaza is situated on 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. It comprises a 27-stories office building and four podium structures, thereby combining Grade A office space with commercial facilities.

SOHO Fuxing Plaza was completed in September 2014. As at 31 December 2014, the occupancy rate of the project was 64.4%.

SKY SOHO

Sky SOHO was completed in November 2014. As at 31 December 2014, the occupancy rate of Sky SOHO was 7.3%.

Sky SOHO is located in Shanghai's Hongqiao Linkong Economic Zone next to the Shanghai Hongqiao transportation hub, which is the convergence point for a variety of transportation systems in Shanghai including Hongqiao International Airport, Hongqiao High-Speed railway and the subway.

On 29 September 2014, we entered into a Framework Agreement with Ctrip Shanghai and Ctrip Affiliates in relation to the sale of certain premises in Sky SOHO with an aggregate sellable GFA of approximately 100,167 sq.m. and certain auxiliary facilities for a total consideration of approximately RMB3.05 billion (equivalent to approximately US$0.49 billion). The Group will hold the remaining parts of Sky SOHO as investment properties.

GUANGHUALU SOHO II

Guanghualu SOHO II is located at the heart of the Beijing Central Business District, close to subway line 1 and line 10. The area is the most mature business district in Beijing, which hosts 70% of the city's foreign enterprises.

The project is comprised of five mixed-use office and commercial buildings.

Guanghualu SOHO II was completed in November 2014. As at 31 December 2014, the occupancy rate of the project was 6.0%.

Properties Under Development

BUND SOHO

Bund SOHO is located on the exclusive strip of land in Shanghai referred to as the Bund. Bund SOHO is framed by Yong'an Road to the west, Xin Yong'an Road to the north, East Second Zhong Shan Road to the east, and Xinkaihe Road and Renmin Road to the south. Bund SOHO is located very close to Shanghai's famous City God Temple and next to the Bund's multi-dimensional transportation hub and yacht wharf. The project is currently under construction and is expected to be completed in May 2015. We intend to hold Bund SOHO as an investment property.

HONGKOU SOHO

Hongkou SOHO is located in the most developed area of the Sichuan North Road commercial district, one of the three largest commercial districts in Shanghai. It is situated at Sichuan North Road Station on metro line 10 and is within 300 meters of Baoshan Road Station, the interchange station for metro lines 3 and 4. The project is currently under construction and is expected to be completed in August 2015. The Group intends to hold Hongkou SOHO as an investment property.

SOHO TIANSHAN PLAZA

SOHO Tianshan Plaza is located at a prime location in the Hongqiao Foreign Trade Center in Changning District in Shanghai. The Hongqiao Foreign Trade Center area is Shanghai's first central business district for foreign enterprises and a gathering place for Changning's office, business and high-end residential apartments. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza neighbors the Inner Circle and Loushanguan Station on metro 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.

The project is currently under construction and is expected to be completed in 2016. We intend to hold SOHO Tianshan Plaza as an investment property.

SOHO LEEZA

SOHO Leeza is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned metro lines 14 and 16. Located between Beijing's Western 2nd and 3rd Ring Roads, the Lize Financial Business District is expected to be developed into Beijing's next financial district, acting as an extension to Beijing's current Financial Street which we believe is one of the most expensive office markets in the world. The Lize Financial Business District is planned to provide quality offices, apartments, exhibition centers, commercial zones and leisure facilities aiming to accommodate the increased demand arising from the continued expansion of financial companies around the current Financial Street area.

We acquired the land use right for SOHO Leeza project through a successful bid of RMB1.922 billion in September 2013. Lize Business District is currently home to hundreds of financial institutions and large corporations, including financial companies 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 for the project have already commenced, and we expect the construction of SOHO Leeza to be completed in 2018. The Group intends to hold SOHO Leeza as an investment property.

GUBEI PROJECT

The land for the Gubei Project is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District.

We acquired the land use right to this parcel of land through a successful bid of RMB3.19 billion made in April 2013. 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 of the project have already commenced. The construction of the Gubei Project is expected to be completed in 2018. After completion, the project will be accessible underground from Yili Station metro line 10, and will be in close proximity to the Gubei Takashimaya shopping mall, Gubei Fortune Plaza, and other Grade A office buildings. We intend to hold the Gubei Project as an investment property.

THE BUND 8-1 LAND

As at 31 December 2014, the Group indirectly, through Shanghai Haizhimen Property Investment Management Co., Ltd., holds 50% equity interest of the project company of the Bund 8-1 Land. The project is currently under construction.

The land for Bund 8-1 is located between Yuyuan Garden and the Shiliupu Expo water gate in Shanghai's Huangpu District, in close proximity to Shanghai's Bund transportation hub and also our Bund SOHO project. Set on the bank of the Huangpu River, the Bund 8-1 land possesses a rare view of the Huangpu River's waterfront scenery and also faces Pudong's Shanghai World Financial Center and Jinmao Tower across the river.

SALES OF PROJECT INTERESTS

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 the entire interests of SOHO Hailun Plaza and SOHO Jing'an Plaza for a total consideration of approximately RMB5.23 billion.

On 26 September 2014, the Group entered into a framework agreement with Ctrip Shanghai and Ctrip Affiliates in relation to the sale of certain premises in Sky SOHO with an aggregate sellable GFA of approximately 100,167 sq.m. and certain auxiliary facilities for a total consideration of approximately RMB3.05 billion.

The above transactions will benefit the Group by increasing its cash reserve as the Group continues to monitor the market for opportunities to acquire high-quality assets at prime locations in Beijing and Shanghai.

CORPORATE SOCIAL RESPONSIBILITY

SOHO CHINA FOUNDATION

The SOHO China Foundation was established in 2005 as a philanthropic organization solely funded by SOHO China. SOHO China is one of the largest prime office property developers in China founded by the Directors, Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita. The SOHO China Foundation has chosen education as its chief philanthropic cause with the strong conviction that education is the most transformative force in a person´s life, and the most transformative force in inspiring the betterment of greater society.

In 2014, SOHO China Foundation launched the SOHO China Scholarships Program. The SOHO China Scholarships are a USD100 million initiative to endow and create financial aid scholarships for Chinese students to obtain undergraduate education at the world's top universities.

Our mission is to connect China's best and brightest talent with world-class education regardless of their personal economic limitations. We focus on the undergraduate level because we believe this is the area that has the least funding in place for needy students from China, and because we believe that the undergraduate period of study is one of the most transformative periods in a student's life.

The SOHO China Scholarships aim to incentivize international universities to increase the admission of Chinese students from low-income backgrounds while actively raising public awareness about "need blind" admissions policies at top international universities, and encourage the best Chinese students to apply.

In 2014, the SOHO China Scholarships signed gift agreements with Harvard University and Yale University to endow financial aid scholarships for Chinese students at these schools. The first group of eight SOHO China Scholars were named at Harvard University in fall 2014. As at fall 2015, there will be 16 SOHO China Scholars at Harvard University and Yale University, with the number of scholars growing in the years to come.

The SOHO China Scholarships are actively seeking partnerships with leading international universities to expand this initiative.

FINANCIAL REVIEW

Property development

Turnover in 2014 was approximately RMB6,098 million, representing a decrease of approximately RMB8,523 million or approximately 58% as compared with approximately RMB14,621 million in 2013. The decline in turnover was driven mainly by the approximately 60% decrease in property sales to approximately RMB5,674 million in 2014 from approximately RMB14,342 million in 2013, which was mainly attributable to the change of the Company's business model from "build-to-sell" to "build-and-hold". Property sales in 2014 was generated mainly from Wangjing SOHO, Galaxy SOHO and SOHO Zhongshan Plaza, etc.

Property lease

Rental income in 2014 was approximately RMB424 million, representing an increase of approximately RMB145 million or approximately 52% as compared with approximately RMB279 million in 2013. This was attributable to the higher average occupancy rate of Qianmen Avenue Project and SOHO Century Plaza in 2014 as compared to 2013, and the contribution from newly completed Wangjing SOHO Tower 3, SOHO Fuxing Plaza and Sky SOHO during the Year.

Profitability

Gross profit for 2014 was approximately RMB3,078 million, representing a decrease of approximately 62% as compared with approximately RMB8,114 million in 2013. Gross profit margin for the Period was approximately 50% (2013: approximately 55%).

Profit before taxation for 2014 was approximately RMB6,689 million, representing a decrease of approximately 46% as compared with approximately RMB12,470 million in 2013. The decrease in profit before taxation was mainly due to the change of the Company's business model which led to a reduction in property sales.

Net profit attributable to the equity shareholders of the Company for 2014 was approximately RMB4,080 million, representing a decrease of approximately 45% as compared with 2013. Core net profit, excluding valuation gains on investment properties, was approximately RMB1,778 million, representing a decrease of approximately 60% as compared with 2013. Core net profit margin for 2014 was approximately 29%, which is similar to the 30% in 2013.

Cost control

Selling expenses for 2014 was approximately RMB200 million, representing a decrease of 46% as compared with approximately RMB373 million in 2013, due mainly to the reduction of property sales during the Period.

Administrative expenses for 2014 was approximately RMB278 million, representing a decrease of 20% as compared with approximately RMB348 million in 2013, due mainly to the reduction in salaries of employees.

Financial income and expenses

Financial income for 2014 was approximately RMB708 million, representing 6.1% of the average cash and deposits balance in 2014 as compared with 4.9% in 2013. The increase was mainly attributable to the enhanced return from cash management during the Year.

Financial expenses for 2014 were approximately RMB330 million, representing an increase of approximately RMB204 million compared to that in 2013. The increase was due to less amount of interest expenses being capitalized during the Period.

Valuation gains on investment properties

Valuation gains on investment properties for 2014 were approximately RMB3,125 million, mainly contributed by the valuation gains from investment properties completed during the Period.

Income tax

Income tax of the Group for 2014 comprised the PRC Corporate Income Tax, the Land Appreciation Tax and Deferred Tax. The PRC Corporate Income Tax for the Period was approximately RMB508 million, representing a decrease of approximately RMB1,355 million as compared with approximately RMB1,863 million in 2013. Land Appreciation Tax for the Period was approximately RMB823 million, representing a decrease of approximately RMB1,314 million as compared with approximately RMB2,137 million in 2013. Deferred Tax for the Period was approximately RMB1,207 million, representing an increase of RMB173 million as compared with approximately RMB1,034 million in 2013.

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").

As at 31 December 2014, the bank loans of the Group were approximately RMB14,200 million, of which approximately RMB1,353 million are due within one year, approximately RMB1,924 million are due after one year but within two years, approximately RMB10,288 million are due after two years but within five years and approximately RMB635 million are due after five years. As at 31 December 2014, bank loans of approximately RMB14,200 million of the Group were collateralized by the Group's land use rights, properties, restricted bank deposits and shares of certain subsidiaries or guaranteed by certain subsidiaries of the Group.

As at 31 December 2014, the Group had Senior Notes and bank loans of approximately RMB20,262 million, equivalent to approximately 26% of the total assets (31 December 2013: 22%). Net debt (bank loans + Senior Notes – cash and cash equivalents and bank deposits) to total equity ratio was approximately 19% as at 31 December 2014 (31 December 2013: 17%).

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 Group's Senior Notes were denominated in US dollars. However, the Group's operating cash flow and liquidity has not been subject to significant influence from the fluctuations in exchange rate. In September 2013, the Group entered into an interest rate swap agreement for the USD415 million US dollar denominated syndicated loans to hedge the potential interest rate risk.

Contingent liabilities

As at 31 December 2014, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans provided to buyers of property units. The amount of guaranteed mortgage loans relating to such agreements was approximately RMB6,433 million as at 31 December 2014 (approximately RMB6,339 million as at 31 December 2013).

There is no change of the status of the litigation with regard to the Bund 8-1 projects from the statement disclosed in the results announcement of the Company for the year ended 31 December 2013 published on 4 March 2014.

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 and proceedings cannot be determined at present, the Board believes 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 2014, the Group's total capital commitments for properties under development was approximately RMB6,209 million (approximately RMB7,131 million as at 31 December 2013). The amount comprised mainly of the contracted and the authorised but not contracted development cost of the existing projects.

Employees and Remuneration Policy

As at 31 December 2014, the Group had 2,735 employees (31 December 2013: 2,442 employees), including 255 employees for Commune by the Great Wall and 2,083 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 by the Company 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 of the Company (the "Shares") to various employees, including various Directors pursuant to the rules of the Employee's Share Award Scheme.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Company include investment in real estate development, property leasing and property 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 year ended 31 December 2014.

RESULTS AND DIVIDEND

The Group's profit for the Year and the financial status of the Company and the Group as at 31 December 2014 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 2014 (2013: 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:

	2014	2013	2012 (Restated)	2011	2010
RMB'000					
Turnover	**6,098,088**	14,621,436	16,142,984	5,684,822	18,215,091
Profit before taxation	**6,689,396**	12,470,385	18,194,772	6,861,880	8,700,068
Income tax	**(2,537,935)**	(5,034,304)	(7,547,921)	(2,375,458)	(4,928,485)
Profit for the year	**4,151,461**	7,436,081	10,646,851	4,486,422	3,771,583
Attributable to:					
Equity shareholders of the Company	**4,079,831**	7,388,049	10,584,876	3,892,308	3,636,156
Non-controlling interests	**71,630**	48,032	61,975	594,114	135,427
Basic earnings per share (RMB)	**0.781**	1.492	2.051	0.751	0.701
Diluted earnings per share (RMB)	**0.780**	1.404	1.897	0.716	0.673
Interim dividend per share (RMB)	**0.12**	0.12	0.12	0.14	0.12
Final dividend per share (RMB)	**0.13**	0.13	0.13	0.11	0.14

Consolidated balance sheet as at 31 December:

	2014	2013	2012	2011	2010
RMB'000					
Non-current assets	**59,088,013**	55,810,572	45,205,058	16,146,673	9,711,396
Current assets	**17,731,159**	22,012,453	35,372,513	43,533,101	38,219,036
Current liabilities	**11,516,800**	19,251,402	25,046,565	23,044,487	18,853,899
Net current assets	**6,214,359**	2,761,051	10,325,948	20,488,614	19,365,137
Total assets less current liabilities	**65,302,372**	58,571,623	55,531,006	36,635,287	29,076,533
Non-current liabilities	**24,842,404**	20,085,828	23,820,544	13,417,665	9,097,165
Net assets	**40,459,968**	38,485,795	31,710,462	23,217,622	19,979,368
Share capital	**106,112**	107,868	106,029	107,502	107,485
Reserves	**39,257,039**	37,352,740	30,593,478	21,615,261	19,135,247
Total equity attributable to equity shareholders of the Company	**39,363,151**	37,460,608	30,699,507	21,722,763	19,242,732
Non-controlling interests	**1,096,817**	1,025,187	1,010,955	1,494,859	736,636
Total equity	**40,459,968**	38,485,795	31,710,462	23,217,622	19,979,368

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 25 and 27 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 25 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 2014 are set out in Note 25 to the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and 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 "2013 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 of 2013 Syndicated Loan") 4-year transferable term loan facilities (the "2013 Syndicated Loan").

On 24 June 2014, the Company, as borrower, entered into a credit agreement (the "June 2014 Credit Agreement") with a syndicate of banks for the US$250 million (the "Total Commitments of 2014 Syndicated Loan") 5-year transferable term loan facilities (the "2014 Syndicated Loan").

On 18 November 2014, the Company, as borrower, entered into a credit agreement (the "November 2014 Credit Agreement") with a bank for the HK$1,170 million (the "Total Commitments of 2014 Bilateral Loan") 5-year transferable term loan facilities (the "2014 Bilateral Loan").

Pursuant to the terms of the 2013 Credit Agreement, June 2014 Credit Agreement, and the November 2014 Credit Agreement, the Company as borrower and certain subsidiaries of the Company, as guarantors, must, among others, procure that:

1. Mr. Pan Shiyi ("Mr. Pan") and Mrs. Pan Zhang Xin Marita ("Ms. Zhang"), directly or indirectly through the Little Brothers Settlement ("the Trust") 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 ownership of not less than 51% of the entire issued share capital of the Company; and

2. (i) Mr. Pan or Ms. Zhang remains as the chairman of the Company at all times; or (ii) Mr. Pan or Ms. Zhang remains 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).

Failing that, among other things, all or part of the Total Commitments of 2013 Syndicated Loan, Total Commitments of 2014 Syndicated Loan and Total Commitments of 2014 Bilateral Loan may be cancelled and/or all outstanding liabilities of the Company under the 2013 Credit Agreement, June 2014 Credit Agreement, and the November 2014 Credit Agreement and/or other documentation in relation to the 2013 Syndicated Loan, the 2014 Syndicated Loan and the 2014 Bilateral Loan will become immediately due and payable. As at 31 December 2014, the Trust is the beneficial owner of approximately 63.9570% 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 (resigned on 13 May 2014)
Mr. Yin Jie (retired on 13 May 2014)

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, Mr. Yi Xiqun and Dr. Ramin Khadem shall retire from office and the two retiring directors will not offer themselves for re-election at the forthcoming 2015 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 seven 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.

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 51, is an executive Director and Chairman of the Board. Mr. Pan co-founded Redston 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 elected 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.

In 2005, Mr. Pan and his wife Zhang Xin established the SOHO China Foundation, a charity organization guided by the mission of advancing education as a means for alleviating poverty. In 2014, the SOHO China Foundation launched the SOHO China Scholarships, a USD100 million initiative supporting financial aid for Chinese students at leading international universities.

Mrs. Pan Zhang Xin Marita

Chief Executive Officer

Mrs. Pan Zhang Xin Marita, aged 49, 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 all of the Company's aprojects.

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.

In 2005, Ms. Zhang and her husband Pan Shiyi established the SOHO China Foundation, a charity organization guided by the mission of advancing education as a means for alleviating poverty. In 2014, the SOHO China Foundation launched the SOHO China Scholarships, a USD100 million initiative supporting financial aid for Chinese students at leading international universities.

Ms. Yan Yan

President

Ms. Yan Yan, aged 51, is an executive Director and the Company's President. She is responsible for the business development, budget control 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 over twenty years of relevant experience in the real estate development industry in China.

Independent non-executive Directors

Dr. Ramin Khadem

Dr. Ramin Khadem, aged 70, 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 served as chairman of Odyssey Moon Ltd, a lunar enterprise business. Dr. Khadem served as an executive director of Inmarsat Ventures Limited (formerly known as Inmarsat Ventures Plc.) ("Inmarsat") between October 2000 and July 2004, and also as an executive director of Inmarsat Group Holdings Limited 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. More recently, he has taught MBA courses at Tsinghua and Fudan universities in China. Dr. Khadem graduated from the University of Illinois with a Bachelor of Science degree in electrical engineering and from McGill University with M.A. and Ph.D. degrees in economics.

Mr. Cha Mou Zing Victor

Mr. Cha Mou Zing Victor, aged 65, is an independent non-executive Director. He is the executive director, deputy chairman and managing director of HKR International Limited (a company listed on the Stock Exchange, Stock Code: 480) and an alternate independent non-executive director of New World Development Company Limited (a company listed on the Stock Exchange, Stock Code: 0017). Mr. Cha graduated from Stanford University with a Master of Business Administration degree and University of Wisconsin with a Bachelor of Science degree.

Mr. Yi Xiqun

Mr. Yi Xiqun, aged 67, 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 Limited. In 2000, he became the Chairman of the Board of Beijing Enterprises Holdings Ltd, and both the Chairman and General Manager of Beijing Holdings Limited. In December 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. From 2008-2013, he was the independent non-executive director of China Merchants Bank (a company listed on the Stock Exchange, Stock Code: 3968). Mr.Yi now serves as, independent non-executive director of Industrial and Commercial Bank of China Limited (a company listed on the Stock Exchange, Stock Code: 1398), and Asian Capital Holdings Limited (a company listed on the Stock Exchange, Stock Code: 8295); independent director of China Merchants Securities Co., Ltd, and Zheshangjinhui Trust Co.,Ltd. He is also a member of Zhong Guancun Entrepreneurs Advisory Committee, and a consultant to China International Capital Corporation Limited.

Senior Management

Mr. Jim Lam

Chief Financial Officer

Mr. Jim Lam, aged 44, is the Chief Financial Officer of the Company. Prior to joining the Company, Mr. Lam acted as the chief financial officer and executive director of Top Spring International Holdings Limited (a company listed on the Stock Exchange, Stock Code: 3688) and the chief financial officer of Greentown China Holdings Limited (a company listed on the Stock Exchange, Stock Code: 3900). Mr. Lam worked for an international audit firm and various international investment banks. Overall, Mr. Lam has over 20 years of experience in the field of auditing, equity research, investment and financial management. Mr. Lam received his bachelor's degree in business administration from the Chinese University of Hong Kong in 1992 and a Master's degree in accounting and finance from the London School of Economics and Political Science in 1996. He is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Yin Jie

Senior Vice President

Mr. Yin Jie, aged 47, is our Senior Vice President and Chief Architect and is responsible for the overall project design. 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 seventeen years.

Mr. Gu Wei, Victor

Vice President

Mr. Gu Wei, Victor, aged 43, is our Vice President and General Counsel in charge of 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 well-known international law firm.

Mr. Xu Qiang

Vice President

Mr. Xu Qiang, aged 42, is our Vice President in charge of property construction and development. He joined the Company in July 1999. Mr. Xu has acted as the project manager, project director and Vice President of our Company. During his 15 years of service with our Company, 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 in 1994.

Ms. Ni Kuiyang

Vice President

Ms. Ni Kuiyang, aged 37, is our Vice President and is responsible for accounting and cash management of the Company. Ms. Ni joined the Company in July 2008 and since then has acted as our finance manager, finance director and Vice President. Ms. Ni received her Bachelor Degree in Accounting from China University of Petroleum in 1999 and is a CPA holder. Prior to joining the Company, Ms. Ni worked for a listed company and an asset management company. Ms. Ni has extensive experience in accounting and financial management.

Mr. Qian Ting

Vice President

Mr. Qian Ting, aged 38, is our Vice President and is responsible for property leasing of the Company. Mr. Qian joined the Company in October 2002 and has acted as the director of our leasing department. Mr. Qian received his Bachelor Degree in Trade and Economy from Renmin University of China in 2000. Mr. Qian has 15 years' experience in property leasing in China.

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 2014 AGM held on 13 May 2014, 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 2014 are set out as follows:

2014	Directors' fees RMB'000	Salaries, 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
Chairman						
Pan Shiyi	240	5,996	40	6,276	–	6,276
Executive Directors						
Pan Zhang Xin Marita	240	5,254	–	5,494	–	5,494
Yan Yan	240	5,417	40	5,697	1,221	6,918
Tong Ching Mau*	88	2,359	–	2,447	203	2,650
Yin Jie**	88	3,373	–	3,461	203	3,664
Independent non-executive Directors						
Ramin Khadem	301	–	–	301	–	301
Cha Mou Zing Victor	265	–	–	265	–	265
Yi Xiqun	265	–	–	265	–	265
	1,727	22,399	80	24,206	1,627	25,833

* Tong Ching Mau resigned on 13 May 2014.

** Yin Jie retired on 13 May 2014.

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(o)(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.

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 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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, are 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)	63.9309%
Pan Zhang Xin, Marita	–	–	3,324,100,000(L)	3,324,100,000 (L)	63.9309%
Yan Yan	16,023,511 (L) (Note 2)	–	–	16,023,511 (L)	0.3082%
Ramin Khadem	300,000 (L)	–	–	300,000 (L)	0.0058%

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) 7,839,511 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 2014, 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 2014, 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 Limited (Note 2)	Trustee	3,325,461,500 (L)	63.9570% (L)
Capevale Limited	Interests of controlled corporation	3,324,100,000 (L)	63.9309% (L)
Boyce Limited (Note 3)	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)
Capevale Limited (Note 4)	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (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 3,324,100,000 (L) 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 (L) shares. Capevale Ltd., which is incorporated in the British Virgin Islands held 1,662,050,000 (L) 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 2014, 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 2014.

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 2014, 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 438,500 shares of the Company at a total consideration of approximately HKD2,643,135. During the Year, 1,281,500 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 the 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 close 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 2014, there were outstanding Options carrying the rights to subscribe for 8,184,000 Shares (Note 25(c)(iv)) of the audited consolidated financial statements (31 December 2013: 8,229,000 Shares) representing 0.16% (31 December 2013: 0.15%) of the issued Shares. No Options were cancelled during the Period (2013: 303,000 Shares).

Details of the Options granted under the Share Option Scheme and those remained outstanding as at 31 December 2014 are as follows:

		Number of Options					
Name and class of grantees	Date of grant	Outstanding as at 1 January 2014	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 31 December 2014
(1) Directors							
Yan Yan	6 November 2012 (Note 2)	8,184,000	–	–	–	–	8,184,000
(2) Other employees	30 January 2008 (Note 1)	45,000	–	45,000	–	–	–
Total		**8,229,000**	**–**	**45,000**	**–**	**–**	**8,184,000**

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
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 the second year from the date of grant, and the remaining one-third is exercisable after the expiry of the 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2014, 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 2014, the percentage of purchases by the Group for the Year attributable to the Group's five largest suppliers amounted to 45%, and the Group's largest supplier accounted for 14%.

So far as the Board is aware, neither the Directors, their close 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 2014, the Group contributed approximately RMB129 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 Year.

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 90,690,500 Shares at a total consideration of approximately HKD551,850,895. All the Shares repurchased by the Company during the Year had been cancelled. In addition, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 438,500 Shares at a total consideration of approximately HKD2,643,135 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had 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 Highest Price HK$	 Lowest Price HK$	Total Consideration* (HK$)
January 2014	12,918,000	6.50	6.05	80,607,827
March 2014	1,268,500	6.26	5.77	7,698,729
April 2014	13,762,500	6.50	5.97	85,428,865
May 2014	11,425,000	6.37	5.95	70,182,290
June 2014	43,291,000	6.32	5.76	258,590,909
July 2014	8,025,500	6.25	6.01	49,342,275
Total	**90,690,500**	–	–	**551,850,895**

* Expenses such as commission and transaction fee not included.

AUDITOR

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 2015 AGM.

On behalf of the Board
Pan Shiyi
Chairman
Hong Kong
6 March 2015

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 2014 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.55 of the Listing Rules:

As disclosed in the Prospectus, the outstanding amounts from the Property purchase contracts between Beijing Hongyun Co., Ltd. and Beijing ZhongHongTian Real Estate Co., Ltd. ("ZhongHongTian") 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 2014, the balance of RMB3,916,128 remained outstanding and interests receivable of RMB498,210 thereon was recorded.

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

1. in the ordinary and usual course of business of the Company and its subsidiaries;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreement governing it 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 2014. 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 (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules 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 as 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 six Directors, including three executive Directors, namely Mr. Pan Shiyi (Chairman), Mrs. Pan Zhang Xin Marita (Chief Executive Officer) and Ms. Yan Yan; 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

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	6/6
Pan Zhang Xin Marita	5/6
Yan Yan	6/6
Tong Ching Mau (resigned on 13 May 2014)	2/2
Yin Jie (retired on 13 May 2014)	0/2
Independent non-executive Directors	
Ramin Khadem	5/6
Cha Mou Zing, Victor	4/6
Yi Xiqun	5/6

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, re-appointment 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 auditors for providing audit services; to meet with the external auditors 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 as 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 2014, 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 2014 and the audited consolidated annual results of the Company for the year ended 31 December 2014 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 auditors' fee for the year 2014, and recommended the Board to re-appoint PricewaterhouseCoopers as the auditors of the Company for the year 2015, which is subject to the approval of shareholders at the forthcoming 2015 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 Directors 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 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;

(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 Zhang Xin, 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 independent non-executive Director).

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 judgement.

(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/independent non-executive Directors

(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, 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, Victor. 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 in 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 devising 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	1/1

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 2014 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 2014, the Directors have selected suitable accounting policies and adopted appropriate accounting standards. Based on judgements 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 Company's internal control system to ensure that the Company's assets and shareholders' interests are safeguarded. The Board also reviews the internal control and risk management systems on a regular basis to ensure their effectiveness.

The Company has set up an internal audit department, which is an important part of its internal control system. In 2014, the internal audit department adopted a risk oriented top-down approach to review the internal control of the important processes. Meanwhile, the Company conducted special audit on important operation units and business procedures including but not limited to cost management, construction project planning and progressing management, leasing management and property management. The internal audit department also worked on financial monitoring, operation monitoring, compliance monitoring and risk management, and ensured a sound and effective internal control system.

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 auditors of the Company. The remuneration amounts paid and payable by the Company to PwC for their services rendered for the year ended 31 December 2014 are set out below:

Services rendered	Fees paid/payable
Audit services for 2014	RMB3.81 million
Non-audit services:	
Hong Kong and Macau tax compliance service	RMB0.17 million
Due diligence services	RMB0.39 million

EFFECTIVE COMMUNICATION WITH THE INVESTMENT COMMUNITY

The Company attaches 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 takes frequent and active participation in global investment conferences.

During the Year, we attended fifteen global investor conferences held in Beijing, Shanghai, Hong Kong and Singapore, meeting institutional investors from global investment community and providing update of the Company. In January and June 2014, we held three corporate access events in Beijing and Shanghai, inviting investors to join the project tour of newly completely properties. In March and August 2014, the Company arranged road shows to visit investors spreading across the United States, the United Kingdom, Singapore and Hong Kong.

During the Year, the Company held an annual general meeting on 13 May 2014 ("2014 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 (resigned on 13 May 2014)	1/1
Mr. Yin Jie (retired on 13 May 2014)	0/1
Independent Non-executive Directors	
Dr. Ramin Khadem	1/1
Mr. Cha Mou Zing Victor	0/1
Mr. Yi Xiqun	0/1

The 2014 AGM provided an ideal chance for communication between the Board and the shareholders of the Company. The chairmen of the Board and the audit committee and the external auditors were all present at the 2014 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 Mr. Gu Wei, Victor, the Vice President and General Counsel 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 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, 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 requisitionist(s) himself (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, Dr. Ramin Khadem, Mr. Cha Mou Zing, Victor and Mr. Yi Xiqun were provided with regular updates 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
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, Victor
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	36/F Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited 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	Agricultural Bank of China Limited Bank of China Limited Bank of Communications Co., Ltd. China Everbright Bank Company Limited China Merchants Bank Co., Ltd. Industrial and Commercial Bank of China Limited Shanghai Pudong Development Bank Co. Limited Standard Chartered Bank (Hong Kong) Limited The Hong Kong and Shanghai Banking Corporation Limited
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 2014, 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with 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, 6 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	2	**6,098,088**	14,621,436
Cost of sales		**(3,019,934)**	(6,507,677)
Gross profit		**3,078,154**	8,113,759
Valuation gains on investment properties	10	**3,125,477**	4,220,199
Other gains – net	3(c)	**597,834**	–
Other revenue and income		**261,702**	302,492
Selling expenses		**(199,703)**	(372,880)
Administrative expenses		**(278,120)**	(348,039)
Other operating expenses		**(273,971)**	(126,868)
Profit from operations		**6,311,373**	11,788,663
Financial income	3(a)	**707,742**	807,202
Financial expenses	3(a)	**(329,719)**	(125,480)
Profit before taxation	3	**6,689,396**	12,470,385
Income tax	5(a)	**(2,537,935)**	(5,034,304)
Profit for the year		**4,151,461**	7,436,081
Attributable to:			
Equity shareholders of the Company		**4,079,831**	7,388,049
Non-controlling interests		**71,630**	48,032
Profit for the year		**4,151,461**	7,436,081
Earnings per share (RMB per share)	9		
Basic		**0.781**	1.492
Diluted		**0.780**	1.404

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 25(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**4,151,461**	7,436,081
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Reclassification from other comprehensive income to profit and loss	*3(c)(i)*	**(348,418)**	–
Exchange differences on translation of financial statements of foreign operations	*25(d)(iii)*	**(90,252)**	266,965
Other comprehensive income for the year		**(438,670)**	266,965
Total comprehensive income for the year		**3,712,791**	7,703,046
Attributable to:			
Equity shareholders of the Company		**3,641,161**	7,655,014
Non-controlling interests		**71,630**	48,032
Total comprehensive income for the year		**3,712,791**	7,703,046

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

CONSOLIDATED BALANCE SHEET

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investment properties	10	**52,875,060**	48,728,000
Property and equipment	11	**650,618**	672,523
Bank deposits	19	**39,485**	124,699
Interest in joint ventures	13	**4,057,032**	4,088,032
Deferred tax assets	15(b)	**1,441,063**	2,197,318
Long-term receivables		**24,755**	–
		59,088,013	55,810,572
Current assets			
Properties under development and completed properties held for sale	16	**3,982,897**	8,586,751
Deposits and prepayments	17	**633,569**	2,218,668
Trade and other receivables	18	**675,884**	682,152
Bank deposits	19	**377,008**	396,601
Cash and cash equivalents	20	**12,061,801**	10,128,281
		17,731,159	22,012,453
Current liabilities			
Bank loans	21	**1,353,285**	2,760,194
Sales deposits	22	**337,270**	3,112,341
Trade and other payables	23	**4,620,667**	3,586,042
Taxation	15(a)	**5,205,578**	9,792,825
		11,516,800	19,251,402
Net current assets		**6,214,359**	2,761,051
Total assets less current liabilities		**65,302,372**	58,571,623

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

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank loans	*21*	**12,846,904**	8,285,990
Senior notes	*24*	**6,062,108**	6,024,175
Contract retention payables		**178,603**	472,304
Deferred tax liabilities	*15(b)*	**5,750,771**	5,299,910
Derivative financial instruments	*14*	**4,018**	3,449
		24,842,404	20,085,828
NET ASSETS		**40,459,968**	38,485,795
CAPITAL AND RESERVES	*25*		
Share capital		**106,112**	107,868
Reserves		**39,257,039**	37,352,740
Total equity attributable to equity shareholders of the Company		**39,363,151**	37,460,608
Non-controlling interests		**1,096,817**	1,025,187
TOTAL EQUITY		**40,459,968**	38,485,795

Approved and authorised for issue by the board of directors on 6 March 2015.

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 2014
(Expressed in Renminbi)

	Note	**2014** **RMB'000**	2013 RMB'000
Non-current assets			
Investments in subsidiaries	*12*	**294,423**	294,423
Amounts due from subsidiaries	*18*	**743,253**	1,258,273
		1,037,676	1,552,696
Current assets			
Trade and other receivables	*18*	**17,736,338**	15,919,629
Cash and cash equivalents	*20*	**1,482,660**	1,179,157
		19,218,998	17,098,786
Current liabilities			
Bank loans	*21*	**287,930**	–
Other payables		**84,601**	84,792
Amounts due to subsidiaries		**2,806,693**	783,272
		3,179,224	868,064
Net current assets		**16,039,774**	16,230,722
Total assets less current liabilities		**17,077,450**	17,783,418
Non-current liabilities			
Bank loans	*21*	**7,369,622**	5,681,759
Senior notes	*24*	**6,062,108**	6,024,175
Derivative financial instruments	*14*	**4,018**	3,449
		13,435,748	11,709,383
NET ASSETS		**3,641,702**	6,074,035

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

At 31 December 2014
(Expressed in Renminbi)

	Note	**2014** **RMB'000**	2013 RMB'000
CAPITAL AND RESERVES	*25*		
Share capital		**106,112**	107,868
Reserves		**3,535,590**	5,966,167
TOTAL EQUITY		**3,641,702**	6,074,035

Approved and authorised for issue by the board of directors on 6 March 2015.

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 2014
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company											
		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	*25(c)(i)*												
– 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	*25(c)(iii)*	–	–	(1,212)	–	–	–	–	–	–	(1,212)	–	(1,212)
Dividends approved in respect of the previous year	*25(b)(ii)*	–	(642,776)	–	–	–	–	–	–	–	(642,776)	–	(642,776)
Dividends declared in respect of the current year	*25(b)(i)*	–	(581,253)	–	–	–	–	–	–	–	(581,253)	–	(581,253)
Shares issued under the employees' share option schemes	*25(c)(i)*	41	15,671	–	–	(3,729)	–	–	–	–	11,983	–	11,983
Employees' share award scheme	*27(b)*	–	–	–	–	7,533	–	–	–	–	7,533	–	7,533
Employees' share option schemes	*27(a)*	–	–	–	–	1,266	–	–	–	–	1,266	–	1,266
Vesting of shares under employees' share award scheme	*27(b)*	–	559	4,245		(4,804)	–	–	–	–	–	–	–
Transfer to general reserve fund	*25(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.

For the year ended 31 December 2014
(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 2014		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
Profit for the year		–	–	–	–	–	–	–	–	4,079,831	4,079,831	71,630	4,151,461
Other comprehensive income		–	–	–	–	–	(438,670)	–	–	–	(438,670)	–	(438,670)
Profit and total comprehensive income		–	–	–	–	–	(438,670)	–	–	4,079,831	3,641,161	71,630	3,712,791
Repurchase of own shares	*25(c)(i)*												
– Par value paid		(1,757)	–	–	–	–	–	–	–	–	(1,757)	–	(1,757)
– premium paid		–	(436,580)	–	–	–	–	–	–	–	(436,580)	–	(436,580)
– transfer between reserves		–	(1,757)	–	1,757	–	–	–	–	–	–	–	–
Treasury shares	*25(c)(iii)*	–	–	(2,092)	–	–	–	–	–	–	(2,092)	–	(2,092)
Dividends approved in respect of the previous year	*25(b)(ii)*	–	(683,483)	–	–	–	–	–	–	–	(683,483)	–	(683,483)
Dividends declared in respect of the current year	*25(b)(i)*	–	(623,722)	–	–	–	–	–	–	–	(623,722)	–	(623,722)
Shares issued under the employees' share option schemes	*25(c)(i)*	1	283	–	–	(67)	–	–	–	–	217	–	217
Employees' share award scheme	*27(b)*	–	–	–	–	8,180	–	–	–	–	8,180	–	8,180
Employees' share option schemes	*27(a)*	–	–	–	–	1,188	–	–	–	–	1,188	–	1,188
Vesting of shares under employees' share award scheme	*27(b)*	–	1,095	5,991	–	(7,086)	–	–	–	–	–	–	–
Transfer to general reserve fund	*25(d)(v)*	–	–	–	–	–	–	–	26,393	(26,393)	–	–	–
Hedging		–	–	–	–	(569)	–	–	–	–	(569)	–	(569)
Balance at 31 December 2014		106,112	7,683,218	(36,033)	9,661	48,814	(815,150)	189,527	551,340	31,625,662	39,363,151	1,096,817	40,459,968

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 2014
(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before taxation	6,689,396	12,470,385
Adjustments for:		
Valuation gains on investment properties	(3,125,477)	(4,220,199)
Depreciation	31,842	29,215
Financial income	(707,742)	(674,222)
Interest expense	260,553	108,128
Net foreign exchange loss/(gain)	34,975	(132,980)
Impairment losses recognised for trade and other receivables	1,384	60,914
Loss on sale of property and equipment	501	–
Loss on repurchase of convertible bonds	–	21,493
Gains from disposal of subsidiaries	(605,096)	–
Loss on disposal of investment properties	7,262	–
Equity-settled share-based payment expense	9,368	8,799
Changes in working capital:		
Decrease in deposits and prepayments	99,583	228,710
Decrease in trade and other receivables	21,084	46,971
Decrease in properties under development and completed properties held for sale	3,003,452	3,625,515
Decrease in sales deposits	(2,775,071)	(5,783,742)
Increase/(decrease) in trade and other payables	10,647	(135,198)
Cash generated from operations	2,956,661	5,653,789
Interest received	707,742	674,222
Interest paid	(990,583)	(1,007,942)
Income tax paid	(6,050,006)	(3,495,562)
Net cash (used in)/generated from operating activities	(3,376,186)	1,824,507
Investing activities		
Payment for development costs and purchase of investment properties	(2,115,980)	(6,452,664)
Payment for purchase of property and equipment	(13,340)	(19,654)
Proceeds from sale of property and equipment	2,902	–
Decrease in term deposits with banks and other financial institutions over 3 months	958,796	57,827
Decrease in bank deposits	104,807	1,969,776
Repayment from related parties	31,000	–
Payment for acquisition of interests in a joint venture	–	(22,500)
Proceeds from disposal of subsidiaries	3,068,547	–
Proceeds from disposal of completed investment properties	3,009,045	–
Net cash generated from/(used in) investing activities	5,045,777	(4,467,215)

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

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from bank loans		**7,149,918**	6,921,523
Repayment of bank loans		**(4,103,864)**	(10,415,450)
Repurchase of convertible bonds		**–**	(475,568)
Repurchase of own shares		**(438,337)**	(1,409,931)
Proceeds from shares issued under the employees' share option schemes	*25(c)(i)*	**217**	11,983
Payment for purchase of treasury shares for employees' share award scheme	*25(c)(iii)*	**(2,092)**	(1,212)
Dividends paid to equity shareholders of the Company		**(1,307,205)**	(1,224,029)
Distributions to non-controlling interests		**–**	(33,800)
Net cash generated from/(used in) financing activities		**1,298,637**	(6,626,484)
Net increase/(decrease) in cash and cash equivalents		**2,968,228**	(9,269,192)
Cash and cash equivalents at 1 January		**9,069,485**	18,492,100
Effect of foreign exchange rate changes		**(75,912)**	(153,423)
Cash and cash equivalents at 31 December	*20*	**11,961,801**	9,069,485

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 2014 comprise 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 judgements, 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 judgements 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:

- Amendment to HKAS 32, 'Financial instruments: Presentation'
- Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities'
- Amendment to HKAS 36, 'Impairment of assets'
- Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement'
- HK(IFRIC) 21, 'Levies'
- Annual improvements 2012

Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting. These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made on HKFRS 12 to introduce disclosures that an investment entity needs to make.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement'– 'Novation of derivatives'. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK(IFRIC) 21, 'Levies' is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Annual improvements 2012 address six issues in the 2010-2012 reporting cycle.

It includes changes to:

- HKFRS 2, 'Share-based payment'
- HKFRS 3, 'Business combinations'
- HKFRS 9, 'Financial instruments'
- HKAS 37, 'Provisions, contingent liabilities and contingent assets'
- HKAS 39, 'Financial instruments – Recognition and measurement'

These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards, only the above are effective for relevant transactions on or after 1 July 2014.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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)(l) or (m) 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).

(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 riskmanagement 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) **Financial instruments** (continued)

(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 gain or loss relating to the ineffective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges 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'.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties (continued)

Fair value is assessed by a professional independent value, 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(r)(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 the statement of financial position) 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.

(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)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment (continued)

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Note 1(t)). 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)). In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(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;
- 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments and receivables (continued)

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.

(l) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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(q)(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.

(n) 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.

(o) 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).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(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.

(p) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) **Income tax** (continued)

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.

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)

(q) 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 judgement. 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)

(r) 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 recognised 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)

(s) 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.

(t) 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.

(u) 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)

(v) 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.

(w) 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:

	2014 **RMB'000**	2013 RMB'000
Sale of property units	**5,674,440**	14,342,233
Rental income from investment properties	**423,648**	279,203
	6,098,088	14,621,436

(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.

(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.

2 TURNOVER AND SEGMENT REPORTING (continued)

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

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 2014 and 2013 is set out below.

	Properties development		Properties investment		Total	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Income statement items						
Reportable segment revenue	**5,674,440**	14,342,233	**423,648**	279,203	**6,098,088**	14,621,436
Cost of properties sold/cost of rental business	**(2,907,914)**	(6,492,042)	**(112,020)**	(15,635)	**(3,019,934)**	(6,507,677)
Reportable segment gross profit	**2,766,526**	7,850,191	**311,628**	263,568	**3,078,154**	8,113,759
Valuation gains on Investment properties	**–**	–	**3,125,477**	4,220,199	**3,125,477**	4,220,199
Operating Income/(expenses), net	**20,210**	21,376	**(30,981)**	56	**(10,771)**	21,432
Depreciation	**(31,495)**	(29,024)	**(347)**	(191)	**(31,842)**	(29,215)
Impairment of trade and other receievable	**(1,384)**	(51,610)	**–**	(9,304)	**(1,384)**	(60,914)
Financial income	**625,843**	481,879	**48,523**	16,096	**674,366**	497,975
Financial expense	**(61,747)**	(13,202)	**(78,469)**	(78,331)	**(140,216)**	(91,533)
Reportable segment profit before taxation	**2,969,649**	7,847,695	**3,320,483**	4,404,602	**6,290,132**	12,252,297
Income tax	**(1,546,563)**	(3,617,013)	**(966,682)**	(1,329,354)	**(2,513,245)**	(4,946,367)
Reportable segment profit	**1,423,086**	4,230,682	**2,353,801**	3,075,248	**3,776,887**	7,305,930
Balance sheet items						
Investment properties	**–**	–	**52,875,060**	48,728,000	**52,875,060**	48,728,000
Properties under development and completed properties held for sale	**3,982,897**	8,586,751	**–**	–	**3,982,897**	8,586,751
Cash and cash equivalents	**5,447,988**	5,670,154	**2,687,489**	3,095,434	**8,135,477**	8,765,588
Bank deposits	**384,695**	432,750	**31,798**	88,550	**416,493**	521,300
Bank loans	**–**	180,000	**5,919,703**	3,198,750	**5,919,703**	3,378,750
Reportable segment assets	**45,327,331**	34,385,236	**62,753,548**	44,678,511	**108,080,879**	79,063,747
Reportable segment liabilities	**26,532,761**	16,324,892	**24,516,871**	12,978,379	**51,049,632**	29,303,271
Additions to investment properties and property and equipment	**13,340**	19,655	**4,147,060**	10,418,000	**4,160,400**	10,437,655

2 TURNOVER AND SEGMENT REPORTING (continued)

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

	2014 RMB'000	2013 RMB'000
Profit		
Reportable segment profit	**3,776,887**	7,305,930
Unallocated head office and corporate profit	**374,574**	130,151
Consolidated profit	**4,151,461**	7,436,081
Income tax		
Reportable segment income tax	**(2,513,245)**	(4,946,367)
Unallocated head office and corporate income tax	**(24,690)**	(87,937)
Consolidated income tax	**(2,537,935)**	(5,034,304)
Bank deposits		
Reportable segment bank deposits	**416,493**	521,300
Unallocated head office and corporate bank deposits	**–**	–
Consolidated bank deposits	**416,493**	521,300
Cash and cash equivalents		
Reportable segment cash and cash equivalents	**8,135,477**	8,765,588
Unallocated head office and corporate cash and cash equivalents	**3,926,324**	1,362,693
Consolidated cash and cash equivalents	**12,061,801**	10,128,281
Bank loans		
Reportable segment bank loans	**5,919,703**	3,378,750
Unallocated head office and corporate bank loans	**8,280,486**	7,667,434
Consolidated bank loans	**14,200,189**	11,046,184
Assets		
Reportable segment assets	**108,080,879**	79,063,747
Unallocated head office and corporate assets	**29,196,880**	27,868,475
Elimination of intra-group balances	**(60,458,587)**	(29,109,197)
Consolidated total assets	**76,819,172**	77,823,025
Liabilities		
Reportable segment liabilities	**51,049,632**	29,303,271
Unallocated head office and corporate liabilities	**45,759,131**	39,138,357
Elimination of intra-group balances	**(60,449,559)**	(29,104,398)
Consolidated total liabilities	**36,359,204**	39,337,230

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 2014 and 2013.

As at 31 December 2014, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB57,646,950,000 (2013: RMB52,729,683,000), the total of these non-current assets located in Hong Kong is RMB nil (2013: RMB123,370,000).

For the year ended 31 December 2014 and 2013, 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

	2014 **RMB'000**	2013 RMB'000
Financial income		
Interest income	**707,742**	674,222
Net foreign exchange gain	**–**	132,980
	707,742	807,202
Financial expenses		
Interest on bank loans wholly repayable within five years	**579,946**	617,593
Interest on bank loans wholly repayable above five years	**95,437**	59,826
Interest expenses on the Convertible Bonds	**–**	172,861
Interest expenses on the Senior Notes	**397,208**	402,378
Less: Interest expense capitalised into properties under development*	**(812,038)**	(1,144,530)
	260,553	108,128
Net foreign exchange loss	**34,975**	–
Net loss on settlement of financial assets at fair value through profit or loss: Held for trading	**22,019**	3,654
Bank charges and others	**12,172**	13,698
	329,719	125,480

* The borrowing costs were capitalized at a rate of 4.91%~6.58% per annum (2013: 4.49%~6.77%).

3 PROFIT BEFORE TAXATION (continued)

(b) Staff costs

	Note	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits		**242,162**	249,727
Contributions to defined contribution retirement plan		**15,333**	15,249
Equity-settled share-based payment expenses	*31(b)*	**9,368**	8,799
		266,863	273,775

(c) Other gains – net

	Note	2014 RMB'000	2013 RMB'000
Gain on disposal of subsidiaries	*28*	**256,678**	–
Gain on liquidation of subsidiaries	*(i)*	**348,418**	–
Loss on disposal of investment properties	*(ii)*	**(7,262)**	–
		597,834	–

(i) Certain subsidiaries were liquidated in the year of 2014, resulting in a net gain of RMB348,418,000, which all came from the exchange gain that reclassified from exchange reserve to profit and loss.

(ii) The Group completed the disposal of certain investment properties to Ctrip.com International Ltd. Shanghai Branch and its affiliates for a total consideration of approximately RMB3,050 million. The investment properties comprise premises of an aggregate sellable GFA of 100,167 sq.m. and certain auxiliary facilities. The net loss on disposal of RMB7,262,000 is recognised in the 'other gains – net'.

(d) Other items

	2014 RMB'000	2013 RMB'000
Depreciation	**31,842**	29,215
Auditors' remuneration		
– audit services	**5,208**	5,543
– tax services	**349**	2,672
– other services	**278**	1,706
Rental income	**423,648**	279,203

4 GOVERNMENT GRANTS

The Group received total government grants of RMB nil (2013: RMB154,548,000) in relation to certain completed projects from the local finance bureaus pursuant to the regulations issued by the respective local governments.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2014 RMB'000	2013 RMB'000
PRC Corporate Income Tax		
– Provision for the year	**502,204**	1,855,264
– Under provision in respect of prior years	**5,510**	7,740
Land Appreciation Tax	**823,105**	2,137,079
Deferred tax	**1,207,116**	1,034,221
	2,537,935	5,034,304

(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% (2013: 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 (continued)

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	**6,689,396**	12,470,385
Income tax computed by applying the tax rate of 25% (2013: 25%)	**1,672,349**	3,117,596
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(205,776)**	(534,270)
Tax effect of unused tax losses not recognised	**198,090**	234,278
Reverse of withholding tax provided in prior year	**–**	(34,756)
Under-provision in prior years	**5,510**	7,740
Tax effect of non-deductible expenses	**26,355**	106,637
Utilisation of temporary differences not recognised in prior year	**105,801**	–
Non-taxable income	**(87,499)**	–
Provision for Land Appreciation Tax for the year	**823,105**	2,137,079
Actual tax expense	**2,537,935**	5,034,304

6 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Directors' fees RMB'000	Salaries, 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
2014						
Chairman						
Pan Shiyi	240	5,996	40	6,276	–	6,276
Executive directors						
Pan Zhang Xin Marita	240	5,254	–	5,494	–	5,494
Yan Yan	240	5,417	40	5,697	1,221	6,918
Tong Ching Mau*	88	2,359	–	2,447	203	2,650
Yin Jie**	88	3,373	–	3,461	203	3,664
Independent non-executive directors						
Ramin Khadem	301	–	–	301	–	301
Cha Mou Zing Victor	265	–	–	265	–	265
Yi Xiqun	265	–	–	265	–	265
	1,727	22,399	80	24,206	1,627	25,833

* Tong Ching Mau resigned on May 2014.

** Yin Jie was not appointed as director from May 2014.

6 DIRECTORS' REMUNERATION (continued)

	Directors' fees RMB'000	Salaries, 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

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(o)(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 share-based payments, including the principal terms and number of options and shares granted, are disclosed in Note 27.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2013: all) are directors whose emoluments are disclosed in Note 6. During the year 2014, the aggregate of the emoluments in respect of the other individual is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	2,680	–
Retirement scheme contributions	–	–
Share-based payments	733	–
	3,413	–

During the year ended 31 December 2014 and 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 RMB723,846,000 (2013: RMB762,816,000) which has been dealt with in 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 RMB4,079,831,000 (2013: RMB7,388,049,000) and the weighted average of 5,224,777,000 ordinary shares (2013: 4,952,995,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Note	**2014** **'000**	2013 '000
Issued ordinary shares at 1 January		**5,290,169**	5,112,616
Effect of share options exercised	*25(c)(i)*	**45**	926
Effect of shares repurchased and cancelled	*25(c)(ii)*	**(56,987)**	(196,691)
Effect of treasury shares	*25(c)(iii)*	**(9,423)**	(10,341)
Effect of Awarded Shares vested	*27(b)*	**973**	662
Conversion of convertible bonds		**–**	45,823
Weighted average number of ordinary shares during the year		**5,224,777**	4,952,995

(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 RMB4,079,831,000 (2013: RMB7,560,910,000) and the weighted average of 5,228,432,000 ordinary shares (2013: 5,384,372,000), calculated as follows:

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

	2014 **RMB'000**	2013 RMB'000
Profit attributable to ordinary equity shareholders	**4,079,831**	7,388,049
After tax effect of effective interest on the liability component of the convertible bonds	**–**	172,861
Profit attributable to ordinary equity shareholders (diluted)	**4,079,831**	7,560,910

9 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

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

	2014 '000	2013 '000
Weighted average number of ordinary shares	**5,224,777**	4,952,995
Effect of conversion of the Convertible Bonds	**–**	430,103
Effect of deemed issue of shares under the employee's share option schemes	**892**	1,274
Effect of deemed vesting of the Awarded Shares	**2,763**	–
Weighted average number of ordinary shares (diluted)	**5,228,432**	5,384,372

10 INVESTMENT PROPERTIES – THE GROUP

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total
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
At 1 January 2014	**8,785,000**	**39,943,000**	**48,728,000**
Additions	**10,453**	**4,875,607**	**4,886,060**
Transferred from investment properties under development	**25,153,483**	**(25,153,483)**	**–**
Transferred from completed properties held for sale	**1,885,216**	**–**	**1,885,216**
Disposal of investment properties	**(2,761,838)**	**(2,987,855)**	**(5,749,693)**
Fair value adjustment	**2,544,386**	**581,091**	**3,125,477**
At 31 December 2014	**35,616,700**	**17,258,360**	**52,875,060**

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).

(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 RMB52,875,060,000 as at 31 December 2014 (2013: RMB48,728,000,000) 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 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
At 1 January 2014	**354,462**	**330,390**	**64,766**	**5,685**	**755,303**
Additions	**–**	**–**	**10,425**	**2,915**	**13,340**
Disposals	**–**	**–**	**(12,589)**	**(2,982)**	**(15,571)**
At 31 December 2014	**354,462**	**330,390**	**62,602**	**5,618**	**753,072**
Representing:					
Cost	**–**	**330,390**	**62,602**	**5,618**	**398,610**
Valuation – 2014	**354,462**	**–**	**–**	**–**	**354,462**
Accumulated depreciation:					
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
At 1 January 2014	**18,708**	**29,294**	**31,405**	**3,373**	**82,780**
Charge for the year	**9,354**	**8,536**	**13,003**	**949**	**31,842**
Written back on disposals	**–**	**–**	**(10,973)**	**(1,195)**	**(12,168)**
At 31 December 2014	**28,062**	**37,830**	**33,435**	**3,127**	**102,454**

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 2014 did not materially differ from their fair value.

The carrying amount of the office premises of the Group as at 31 December 2014 would have been RMB108,225,000 (2013: RMB111,308,000) 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 RMB618,960,000 as at 31 December 2014 (2013: RMB636,850,000) 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 RMB100,000 (2013:RMB62,000) has been charged in 'cost of properties sold', RMB149,000 (2013: RMB379,000) in 'selling expenses', and RMB31,593,000 (2013: RMB28,774,000) in 'administrative expenses'.

12 INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2014 RMB'000	2013 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	Attributable equity interest 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 Limited	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 an development of Wangjing SOHO 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	Attributable equity interest 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	RMB1,750,000,000	–	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 Zhongshan Plaza Project	RMB1,500,000,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Investment in SOHO Fuxing Plaza project	RMB955,000,000	–	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 RMB1,096,817,000 (2013:RMB1,025,187,000) 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

	2014 RMB'000	2013 RMB'000
Share of net assets	**950,699**	950,699
Loans to a joint venture	**3,106,333**	3,137,333
	4,057,032	4,088,032

Details of the Group's interest in the joint ventures as at 31 December 2014 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:

	2014 RMB'000	2013 RMB'000
Share of net assets	**927,949**	927,949
Loans to a joint venture	**3,106,333**	3,137,333
	4,034,282	4,065,282

Loans represented advances of RMB3,106,333,000 (2013:RMB3,137,333,000) to Shanghai Haizhimen, which were interest-free, except for a balance amounting to RMB288,660,000 (2013: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 Limited ("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. Fosun Group takes the view that the transaction breached its pre-emptive right to acquire the remaining equity interests in the Bund 8-1 Land.

13 INTEREST IN JOINT VENTURES – THE GROUP (continued)

On 24 April 2013, the Shanghai No. 1 Intermediate People's Court issued a judgement ("the Trial Judgement") ordering the Company's acquisition of Shanghai Haizhimen is invalidated.

The relevant subsidiary of the Company made an appeal (the "Appeal") to the Higher People's Court of Shanghai against the Trial Judgement. As advised by the Company's PRC legal advisers, since the Trial Judgement cannot be enforced and will not become effective pending the results of the Appeal, the Company's relevant subsidiaries are still holding the equity interests of Shanghai Haizhimen. 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. Therefore, the Company considers that the Trial Judgement does not have any material adverse effect on the operations or financial position of the Group.

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

	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Interest rate swaps – cash flow hedges	**–**	**4,018**	–	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 2014, the notional principal amount of the outstanding interest rate swap contracts was USD 415,000,000 (2013: USD 415,000,000).

15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET – THE GROUP

(a) Current taxation in the consolidated balance sheet represents

	2014 RMB'000	2013 RMB'000
PRC Corporate Income Tax payable	**460,382**	2,706,894
Land Appreciation Tax payable	**4,745,196**	7,085,931
	5,205,578	9,792,825

(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 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)
At 1 January 2014		**14,192**	**2,167,714**	**(5,221,322)**	**(63,176)**	**–**	**(3,102,592)**
Credited/(charged) to profit and loss	*5(a)*	**11,967**	**(768,223)**	**(450,860)**	**–**	**–**	**(1,207,116)**
At 31 December 2014		**26,159**	**1,399,491**	**(5,672,182)**	**(63,176)**	**–**	**(4,309,708)**

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:

	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised in the consolidated balance sheet	**1,441,063**	2,197,318
Net deferred tax liabilities recognised in the consolidated balance sheet	**(5,750,771)**	(5,299,910)
	(4,309,708)	(3,102,592)

As at 31 December 2014, deferred tax assets of RMB28,053,000 (2013: RMB60,784,000) will be recovered after more than 12 months, and deferred tax liabilities RMB5,750,771,000 (2013: RMB5,299,910,000) 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(p), the Group has not recognised deferred tax assets of RMB54,484,000 (2013:RMB54,525,250) in respect of cumulative tax losses in certain subsidiaries of RMB217,936,000 as at 31 December 2014 (2013: RMB218,101,000), 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 2014, RMB32,372,000, RMB22,215,000, RMB41,998,000,RMB88,255,000 and RMB33,096,000 of these tax losses will expire in 2015, 2016, 2017, 2018 and 2019, respectively.

(d) Deferred tax liabilities not recognised

As at 31 December 2014, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB39,393,501,000 (2013: RMB34,820,113,000). Deferred tax liabilities of RMB3,939,350,000 (2013: RMB3,482,011,000) 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

	2014 RMB'000	2013 RMB'000
Properties under development	**1,195,328**	993,613
Completed properties held for sale	**2,787,569**	7,593,138
	3,982,897	8,586,751

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

	2014 RMB'000	2013 RMB'000
In the PRC		
– long-term lease	**112,025**	140,055
– medium-term lease	**1,469,222**	2,760,025
	1,581,247	2,900,080

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

	2014 RMB'000	2013 RMB'000
Properties under development	**310,605**	993,613

(c) 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 RMB110,000,000 (2013: RMB1,485,473,000).

18 TRADE AND OTHER RECEIVABLES

	Note	2014 RMB'000	2013 RMB'000
The Group			
Trade receivables	*(a)*	**195,625**	149,176
Other receivables		**521,625**	572,958
Less: allowance for doubtful debts	*(b)*	**(41,366)**	(39,982)
		675,884	682,152

	2014 RMB'000	2013 RMB'000
The Company		
Amounts due from subsidiaries –		
Non-current	**743,253**	1,258,273
Current	**17,736,338**	15,919,629

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

(a) Aging analysis

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

	2014 RMB'000	2013 RMB'000
Current	**94,353**	36,474
Less than 1 month past due	**8,347**	19,752
Into 6 months past due	**2,089**	18,370
6 months to 1 year past due	**192**	12,024
More than 1 year past due	**90,644**	62,556
Amounts past due	**101,272**	112,702
	195,625	149,176

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

18 TRADE AND OTHER RECEIVABLES (continued)

(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)).

	2014 **RMB'000**	2013 RMB'000
At 1 January	**39,982**	11,723
Impairment loss recognised, net	**7,384**	60,914
Impairment loss reversed	**(6,000)**	–
Uncollectible amounts written off	**–**	(32,655)
At 31 December	**41,366**	39,982

At 31 December 2014, the Group's trade and other receivables of RMB41,366,000 (2013: RMB39,982,000) 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 RMB41,366,000 (2013: RMB39,982,000) were recognised. The Group does not hold any collateral over these balances.

(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**	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Neither past due nor impaired	**458,035**	383,077	**18,479,591**	17,177,902
Less than 1 month past due	**8,347**	70,892		
Into 6 months past due	**26,533**	33,323		
6 months to 1 year past due	**34,909**	43,433		
More than 1 year past due	**148,060**	151,427		
	217,849	299,075		
	675,884	682,152		

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

18 TRADE AND OTHER RECEIVABLES (continued)

(c) Trade and other receivables that are not impaired (continued)

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 RMB148,842,000 (2013: RMB66,552,000) and other receivables of RMB41,878,000 (2013: RMB38,420,000) as at 31 December 2014, and does not hold any collateral over the remaining balance of other receivables.

19 BANK DEPOSITS

		The Group		The Company	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits in non-current assets for:					
Guarantees for construction fee payment	*(i)*	**39,485**	124,699	**–**	–

		The Group		The Company	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits in current assets for:					
Guarantees for mortgage loans	*(ii)*	**257,008**	396,601	**–**	–
Guarantees for bank loans	*21(b)(i)*	**120,000**	–	**–**	–
		377,008	396,601	**–**	–
		416,493	521,300	**–**	–

19 BANK DEPOSITS (continued)

The above bank deposits are restricted as follows:

(i) As at 31 December 2014, pursuant to a government regulation, the Group had deposits of RMB39,485,000 (2013: RMB124,699,000) 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 2014, the Group had deposits of RMB257,008,000 (2013: RMB396,601,000) 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**1,404**	401	**–**	–
Cash at bank	**4,012,471**	314,882	**1,141,973**	242,752
Term deposits with banks	**8,047,926**	9,812,998	**340,687**	936,405
Cash and cash equivalents in the balance sheet	**12,061,801**	10,128,281	**1,482,660**	1,179,157
Less: Term deposits with banks and other financial institutions over 3 months	**100,000**	1,058,796		
Cash and cash equivalents in the consolidated cash flow statements	**11,961,801**	9,069,485		

21 BANK LOANS

(a) The bank loans were repayable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand	**1,353,285**	2,760,194	**287,930**	–
After 1 year but within 2 years	**1,923,495**	1,649,569	**1,611,088**	284,088
After 2 years but within 5 years	**10,288,409**	6,471,421	**5,758,534**	5,397,671
After 5 years	**635,000**	165,000	**–**	–
	12,846,904	8,285,990	**7,369,622**	5,681,759
	14,200,189	11,046,184	**7,657,552**	5,681,759

The bank loans were secured as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured	**14,200,189**	5,364,425	**7,657,552**	–
Unsecured	**–**	5,681,759	**–**	5,681,759
Total	**14,200,189**	11,046,184	**7,657,552**	5,681,759

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 2014, RMB5,996,474,000 (2013: RMB3,378,750,000) bank loans of the Group and RMB369,910,000 (2013: RMB nil) bank loan of the Company were secured by following items:

	The Group		The Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Properties under development and completed properties held for sale	**–**	3,098,223	**–**	–
Investment properties	**12,163,376**	12,000,999	**–**	–
Bank deposits	**120,000**	–	**–**	–
	12,283,376	15,099,222	**–**	–

(ii) As at 31 December 2014, RMB915,354,000 bank loans (2013: RMB1,612,468,000) of the Group were secured by the shares of T&T International Investment Corporation, a subsidiary of the Group, and property and equipment of RMB618,960,000 (2013: RMB636,850,000) and guaranteed by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita (see Note 31(c)), and guaranteed by the Company (see Note 30(b)).

(iii) As at 31 December 2014, RMB5,758,611,000 bank loans (2013: RMB5,681,759,000) of the Group and the Company were guaranteed by all the Subsidiaries of the Company that are not incorporated in the PRC, excluding 3 foreign subsidiaries who directly or indirectly hold the Bund SOHO project.

(iv) As at 31 December 2014, RMB1,529,750,000 bank loans (2013: RMB nil) of the Group and the Company were guaranteed by Mr. Pan Shiyi and all the Subsidiaries of the Company that are not incorporated in the PRC, excluding 3 foreign subsidiaries who directly or indirectly hold the Bund SOHO project.

21 BANK LOANS (continued)

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

	The Group		The Company	
	2014	2013	**2014**	2013
	%	%	**%**	%
Bank loans included in current liabilities	**4.46–6.88**	6.08–7.37	**4.46–4.51**	N/A
Bank loans included in non-current liabilities	**2.73–6.77**	4.46–6.77	**2.73–4.54**	4.46–4.54

(d) Bank loans of RMB9,576,716,000 (2013: RMB6,235,509,000) 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 2014, 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 2014 and 2013. 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	**2014** **RMB'000**	2013 RMB'000
Accrued expenditure on land and construction	*(i)*	**2,588,238**	1,824,778
Consideration payable for acquisition of subsidiaries and joint ventures		**100,000**	100,000
Amounts due to related parties	*31(a)*	**731,654**	452,719
Others		**818,600**	702,940
Financial liabilities measured at mortised costs		**4,238,492**	3,080,437
Other tax payable	*(ii)*	**382,175**	505,605
		4,620,667	3,586,042

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:

	2014 **RMB'000**	2013 RMB'000
Due within 1 month or on demand	**2,143,849**	1,333,232
Due after 1 month but within 3 months	**444,389**	491,546
	2,588,238	1,824,778

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

24 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:

USD 600,000,000 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.

USD 400,000,000 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 2014 and 2013, 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 2014 and 2013, none of the covenants relating to the Senior Notes had been breached.

The carrying amount of senior notes is not materially different from their fair value as at 31 December 2014. The fair value is based on the quoted market price and is within level 1 of the fair value hierarchy.

25 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 loss 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	*25(c)(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	*25(b)*	–	(644,019)	–	–	–	–	–	(644,019)
Dividends declared in respect of the current year	*25(b)*	–	(582,428)	–	–	–	–	–	(582,428)
Share issued under the employees' share option schemes	*25(c)(i)*	41	15,671	–	–	(3,729)	–	–	11,983
Employees' share award scheme	*27(b)*	–	–	–	–	7,533	–	–	7,533
Employees' share option schemes	*27(a)*	–	–	–	–	1,266	–	–	1,266
Vesting of shares under employees' share award scheme	*27(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

25 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 loss RMB'000	Total RMB'000
At 1 January 2014		107,868	9,423,489	–	7,904	47,168	(2,243,140)	(1,269,254)	6,074,035
Loss for the year		–	–	–	–	–	–	(723,846)	(723,846)
Other comprehensive income		–	–	–	–	–	36,147	–	36,147
Loss and total comprehensive income		–	–	–	–	–	36,147	(723,846)	(687,699)
Repurchase of own shares	25(c)(i)								
– par value paid		(1,757)	–	–	–	–	–	–	(1,757)
– premium paid		–	(436,580)	–	–	–	–	–	(436,580)
– transfer between reserves		–	(1,757)	–	1,757	–	–	–	–
Dividends approved in respect of the previous year	25(b)	–	(684,570)	–	–	–	–	–	(684,570)
Dividends declared in respect of the current year	25(b)	–	(624,752)	–	–	–	–	–	(624,752)
Share issued under the employees' share option schemes	25(c)(i)	1	283	–	–	(67)	–	–	217
Employees' share award scheme	27(b)	–	–	–	–	8,180	–	–	8,180
Employees' share option schemes	27(a)	–	–	–	–	1,188	–	–	1,188
Vesting of shares under employees' share award scheme	27(b)	–	1,095	–	–	(7,086)	–	–	(5,991)
Hedging	14	–	–	–	–	(569)	–	–	(569)
At 31 December 2014		106,112	7,677,208	–	9,661	48,814	(2,206,993)	(1,993,100)	3,641,702

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2014 RMB'000	2013 RMB'000
Interim dividend declared and paid of RMB0.12 per ordinary share (2013: RMB0.12 per ordinary share)	**624,752**	582,428
Final dividend proposed after the balance sheet date of RMB0.13 per ordinary share (2013: RMB0.13 per ordinary share)	**675,938**	687,722
	1,300,690	1,270,150

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

	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.13 per ordinary share (2013: RMB0.13 per ordinary share)	**684,570**	644,019

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital and treasury shares

(i) Share capital

		2014		2013	
		NO. of shares (thousands)	**Share capital RMB'000**	NO. of shares (thousands)	Share capital RMB'000
Authorised:					
Ordinary shares of HKD0.02 each		**7,500,000**		7,500,000	
Issued and fully paid:					
At 1 January		**5,290,169**	**107,868**	5,112,616	106,029
Shares repurchased last year and cancelled this year		**–**	**–**	(22,300)	(432)
Shares repurchased and cancelled this year	*(ii)*	**(90,691)**	**(1,757)**	(264,861)	(5,129)
Shares issued under the employees' share option schemes		**45**	**1**	2,558	41
Conversion of convertible bonds		**–**	**–**	462,156	7,359
At 31 December		**5,199,523**	**106,112**	5,290,169	107,868

During the year ended 31 December 2014, options were exercised to subscribe for 45,000 ordinary shares (2013: 2,558,000) of the Company at consideration of RMB216,550 (2013: RMB11,983,000) of which RMB872 (2013: RMB41,000) was credited to share capital and the balance of RMB215,678 (2013: RMB11,942,000) was credited to share premium. RMB67,447 (2013: RMB3,729,000) has been transferred from capital reserve to share premium in accordance with policy set out in Note 1(o)(ii).

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital and treasury shares (continued)

(ii) Shares repurchased and cancelled

During the year ended 31 December 2014, 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 2014	(12,918,000)	6.50	6.05	80,816
March 2014	(1,268,500)	6.26	5.77	7,719
April 2014	(13,762,500)	6.50	5.97	85,649
May 2014	(11,425,000)	6.37	5.95	70,363
June 2014	(43,291,000)	6.32	5.76	259,258
July 2014	(8,025,500)	6.25	6.01	49,470
	(90,690,500)			553,275

All the repurchased shares were cancelled during 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 HKD 1,813,810 (2013: HKD 5,743,230) was transferred from share premium to the capital redemption reserve.

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital and treasury shares (continued)

(iii) Treasury shares

	Note	2014 NO. of shares '000	2014 Share capital RMB'000	2013 NO. of shares '000	2013 Share capital RMB'000
At 1 January		**9,252**	**39,932**	32,510	152,097
Shares repurchased and cancelled		**–**	**–**	(22,300)	(109,132)
Shares purchased for employees' share award scheme		**439**	**2,092**	231	1,212
Vesting of shares under employees' share award scheme	*27(b)*	**(1,682)**	**(5,991)**	(1,189)	(4,245)
At 31 December		**8,009**	**36,033**	9,252	39,932

Details of treasury shares purchased during the year ended 31 December 2014 are as follows:

Month/year	Number of shares repurchased (Share'000)	Average price Paid per share HKD	Aggregate price paid HKD'000
Jun 2014	222	6.12	1,359
Oct 2014	217	5.93	1,284
	439		2,643

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

Exercise period	Exercise price	2014 Number	2013 Number
30 January 2009 to 29 January 2014	HKD6.10	**–**	45,000
6 November 2013 to 5 November 2022	HKD5.53	**8,184,000**	8,184,000
		8,184,000	8,229,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 27(a).

25 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 27).

(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(s).

(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 (2013: 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.

25 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB5,684,108,000 (2013: RMB8,104,514,000), including retained profits or accumulated losses, the treasury shares, the share premium and the distributable revaluation reserve as disclosed in Notes 25(d)(i) and 25(d)(iv), respectively. After the balance sheet date the directors proposed a final dividend of RMB13 cents per ordinary share (2013: RMB13 cents per ordinary share), amounting to RMB675,938,000 (2013: RMB687,722,000). 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 2014, the gearing ratio of the Group was 26.38% (2013: 21.93%).

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

26 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 2014 and 2013.

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

27 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		

27 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:

	2014 Weighted average exercise price HKD	2014 Number of options '000	2013 Weighted average exercise price HKD	2013 Number of options '000
Outstanding at the beginning of the year	**5.53**	**8,229**	6.51	16,572
Granted during the year	**–**	**–**	–	–
Exercised during the year	**6.10**	**(45)**	5.88	(2,558)
Forfeited during the year	**–**	**–**	8.18	(5,785)
Outstanding at the end of the year	**5.53**	**8,184**	5.53	8,229
Exercisable at the end of the year	**5.53**	**1,637**	6.10	45

The options outstanding at 31 December 2014 had an exercise price of HKD 5.53 (2013: HKD 6.10 or HKD5.53).

27 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	Granted on 30 January 2008	Granted on 8 October 2007	Granted on 6 November 2012
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	2.28%	0.52%	0.48%	5.56%
Risk-free interest rate(based on Exchange Fund Notes)	3.11%	1.98%	3.93%	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.

27 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 2013 and 2014 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	(470,281)	5.97	9 March 2012 – 9 March2014	–
September 2009	1,299,500	5,857	January 2012	1,299,500	(794,887)	5.24	13 January 2013 – 13 January 2015	0.03 year
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	(700,218)	5.61	7 November 2013 – 7 November 2019	4.85 year
November 2011	1,038,000	5,188	November 2012	1,038,000	–	5.61	7 November 2013 – 7 November 2019	4.85 year
June 2012	155,500	838	November 2012	155,500	–	5.61	7 November 2013 – 7 November 2019	4.85 year
October 2012	188,000	945	November 2012	188,000	–	5.61	7 November 2013 – 7 November 2019	4.85 year
November 2012	264,700	1,498	November 2012	264,700	–	5.61	7 November 2013 – 7 November 2019	4.85 year
November 2012	3,270,300	18,503	March 2013	1,428,500	(498,155)	6.08	6 March 2013 – 6 March 2016	1.18 years
June 2013	230,500	1,536	April 2014	1,281,500	–	6.55	4 April 2014 – 4 April 2017	2.27 years
June 2014	222,000	1,359						
October 2014	216,500	1,284						
Total	11,140,500	57,463		9,911,200	(2,871,041)			

27 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:

	2014 Number of awarded shares and dividend shares	2013 Number of awarded shares and dividend shares
Outstanding at 1 January	**7,327,060**	7,087,900
Awarded	**1,281,500**	1,428,500
Vested	**(1,537,670)**	(1,118,337)
Dividend shares		
– allocated to awardees	**–**	–
– vested	**(144,031)**	(71,003)
Outstanding at 31 December	**6,926,859**	7,327,060

28 DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2014, the Group disposed of its equity interests in the following company:

Company name	Disposal date	Percentage of equity interests disposed: Directly held	Percentage of equity interests disposed: Indirectly held	Proceeds RMB'000
Shanghai Hanggang Jiajie Real Estate Co., Ltd	27/02/2014	–	100%	3,072,485

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 a subsidiary which holds SOHO Hailun Plaza, for a total consideration of RMB3,072,485,000.

28 DISPOSAL OF SUBSIDIARIES (continued)

Details of sales proceeds and gains on disposal are as follows:

	As at disposal date RMB'000
Proceeds on disposal of the subsidiary	3,072,485
Carrying value of the subsidiary disposed – shown as below	(2,815,807)
Gains on disposal of the subsidiary	256,678

The details of the net assets disposed are as follows:

	Carrying value RMB'000
Investment properties	2,987,855
Cash and cash equivalents	3,938
Deferred tax assets	1,178
Trade and other payables	(3,858)
Deferred tax liabilities	(173,306)
Net assets of the subsidiary	2,815,807

Inflow of cash related to the disposal of the subsidiary, net of cash disposed:

	Carrying value RMB'000
Proceeds received in cash	3,072,485
Cash and cash equivalents in the subsidiary disposed of	3,938
Cash inflow on disposal	3,068,547

28 DISPOSAL OF SUBSIDIARIES (continued)

The effect of the disposal on consolidated income statement is as follows:

	2014 RMB'000	2013 RMB'000
Valuation gain	–	31,048
Financial income	17	8
Financial expense	(4)	(41)
Other expenses	(107)	(273)
(Loss)/profit before tax	(94)	30,742
Income tax expense	–	(7,762)
(Loss)/profit for the year	(94)	22,980
Attributable to:		
Owners of the Company	(94)	22,980

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 2014 and 2013, 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:

	2014 Contractual undiscounted cash outflow						2013 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	1,983,299	2,505,471	11,031,013	745,280	16,265,063	14,200,189	2,961,608	1,832,664	7,066,802	181,547	12,042,621	11,046,184
Senior notes	385,497	385,497	4,373,870	2,944,974	8,089,838	6,062,108	384,105	384,105	4,600,111	3,133,807	8,502,128	6,024,175
Contract retention payables	178,603	–	–	–	178,603	178,603	472,303	–	–	–	472,303	472,303
Financial liabilities measured at amortised costs	4,238,492	–	–	–	4,238,492	4,238,492	3,080,437	–	–	–	3,080,437	3,080,437
	6,785,891	2,890,968	15,404,883	3,690,254	28,771,996	24,679,392	6,898,453	2,216,769	11,666,913	3,315,354	24,097,489	20,623,099
The Company												
Bank loans	552,482	1,846,868	5,981,157	–	8,380,507	7,657,552	–	492,959	5,854,301	–	6,347,260	5,681,759
Other payables	84,601	–	–	–	84,601	84,601	84,792	–	–	–	84,792	84,792
Senior notes	385,497	385,497	4,373,870	2,944,974	8,089,838	6,062,108	384,105	384,105	4,600,111	3,133,807	8,502,128	6,024,175
Amounts due to subsidiaries	2,806,693	–	–	–	2,806,693	2,806,693	783,272	–	–	–	783,272	783,272
	3,829,273	2,232,365	10,355,027	2,944,974	19,361,639	16,610,954	1,252,169	877,064	10,454,412	3,133,807	15,717,452	12,573,998

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

The interest rates of the Group's bank loans, senior notes are disclosed in Notes 21 and 24, respectively. The annual interest rates of the Group's deposits at bank ranged from 0.35% to 2.86% as at 31 December 2014 (2013: 0.35% to 3.30%).

At 31 December 2014, 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 RMB34,454,000 (2013: RMB7,125,000) and would increase/decrease the Group's properties under development and completed properties held for sale and investment properties by approximately RMB107,364,000 (2013: RMB100,962,000). 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 RMB87,097,000 (2013: RMB73,959,600).

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 2013.

(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 mainly on financing transactions denominated in the currency (RMB) other than the Company and related entities' functional currency (HKD). Depreciation or appreciation of RMB against HKD 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)

The amounts denominated in the currency other than the functional currency of the entities to which they relate were as follows:

	2014 RMB'000	2013 RMB'000
Renminbi ("RMB")		
– Cash and cash equivalents	**1,275,502**	758,450
– Amounts due from subsidiaries	**3,098,198**	1,570,289
– Amounts due to subsidiaries	**(813,883)**	(598,792)

As at 31 December 2014, if RMB had weakened/strengthened 5% against HKD with all other variables held constant, post-tax profit for the year would have been RMB133,493,000 lower/higher (2013:RMB64,873,000).

(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 2014 and 2013.

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 2014. 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	–	–	52,875,060	52,875,060
Office premises	–	–	354,462	354,462
Total assets	–	–	53,229,522	53,229,522
Liabilities				
Derivatives used for hedging	–	4,018	–	4,018
Total liabilities	–	4,018	–	4,018

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	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 Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at 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 2014 and 2013. 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 values measurement

Description	Fair value measurements at 31 December 2014 using Significant unobservable inputs (Level 3) RMB'000
Investment properties:	
– Investment properties under construction	17,258,360
– Completed investment properties located in Beijing	21,653,200
– Completed investment properties located in Shanghai	13,963,500
Total	52,875,060

Valuation process of the Group

The Group's investment properties were valued at 31 December 2014 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 outstanding development costs together with developer's profit from the estimated capital value of the proposed development assuming completed as at the valuation date.

For completed investment properties, valuation was done primarily using direct comparison method. Income capitalization approach is also used as a reference method in deriving the final valuation results.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values (continued)

Valuation techniques (continued)

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

Under direct comparison method, comparable properties are selected and adjusted for differences in key attributes such as but not limited to locational factor and property size. The most significant input into this valuation approach is price per square meter.

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 2014 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties under construction	17,258,360	Residual method	Price per square meter	Office: 51,000-86,000 Retail: 61,000-100,000	The higher the price per square, the higher the fair value
			Cost to completion (Per square meter)	RMB2,900 – RMB10,500	The higher the cost to completion, the lower the fair value
			Developer's profit (Per square meter)	RMB1,730 – RMB5,400	The higher the developer's profit, the lower the fair value
Completed investment properties located in Beijing	21,653,200	Direct comparison method take reference to Income capitalization approach	Capitalization rate	4.7%-5.75%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB10.0 – RMB22.0	The higher the rental per square meter, the higher the fair value
			Estimated price (Per square meter)	RMB51,700 – RMB150,000	The higher the price per square, the higher the fair value
Completed investment properties located in Shanghai	13,963,500	Direct comparison method take reference to Income capitalization approach	Capitalization rate	4.75%-6.0%	The higher the capitalization rate, the lower the fair value
			Rental per square meter (Per square meter per day)	RMB5.3 – RMB12.0	The higher the rental per square, the higher the fair value
			Estimated price (Per square meter)	RMB32,500 – RMB102,000	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	
	2014	2013
	RMB'000	RMB'000
Contracted for	**1,395,531**	3,671,378
Authorized but not contracted for	**4,813,375**	3,459,160
	6,208,906	7,130,538

(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 RMB6,433,147,000 as at 31 December 2014 (2013: RMB6,338,823,000).

As at 31 December 2014, the Company provided guarantees to one (2013: two) subsidiaries with respect to their bank loans of RMB915,354,000 (2013: RMB1,985,675,000).

(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:

	2014	2013
	RMB'000	RMB'000
Within 1 year	**762,177**	312,099
After 1 year but within 5 years	**2,042,304**	802,512
After 5 years	**209,485**	124,571
	3,013,966	1,239,182

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	**2014** **RMB'000**	2013 RMB'000
Shanghai YiDian	*(i)*	**303,917**	241,871
Shanghai Rural Commercial Bank	*(i)*	**303,917**	210,848
Wang Rensheng	*(i)*	**123,820**	–
		731,654	452,719

(i) The balances as at 31 December 2014 mainly represented the advances of RMB731,654,000 (2013: RMB452,719,000) from Shanghai Yi Dian Holdings (Group) Co., Ltd. ("Shanghai Yi Dian"), Shanghai Rural Commercial Bank and Wang Rensheng, the non-controlling equity holders of a subsidiary, Shanghai Ding Ding Real Estate Development Co., Ltd., which were interest-free, unsecured and had no fixed 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:

	2014 **RMB'000**	2013 RMB'000
Short-term employee benefits	**26,806**	29,838
Post-employment benefits	**80**	111
Share-based payments	**9,368**	8,799
	36,254	38,748

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

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Other related party transactions

Directors of the Company, Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita, entered into guarantee agreements with a bank with respect to a long-term bank loan amounted to RMB915,354,000 as at 31 December 2014 (2013: RMB1,612,468,000). The guarantees will be released upon the repayment of the bank loans.

Mr. Pan Shiyi, director of the Company, entered into a guarantee agreement with a bank with respect to a long-term bank loan amounted to RMB1,529,750,000 as at 31 December 2014 (2013: RMB nil). 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 JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements 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 tax

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 JUDGEMENTS 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(i), 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 judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

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 JUDGEMENTS 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 judgement 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 aging 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 2014

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 2014 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
HKFRS 14, *'Regulatory deferred accounts'*	1 January 2016
Amendment to HKFRS 11 *on accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38 *on clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKFRS 10 and HKAS 28 *on sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendment to HKAS 27 *on the equity method in separate financial statements*	1 January 2016
Annual improvements 2014	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 *on investment entities: applying the consolidation exception*	1 January 2016
Amendments to HKAS 1 *for the disclosure initiative*	1 January 2016
HKFRS15, *'Revenue from Contracts with Customers'*	1 July 2016
HKFRS 9, *'Financial instruments'*	1 January 2018

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, 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.

34 ULTIMATE HOLDING COMPANY

At 31 December 2014, the directors consider the ultimate holding company to be Capevale Limited, which is incorporated in the Cayman Islands. This entity does not produce financial statements available for public use.

SOHO 中國 CHINA