# GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777

# Annual Report 2014

# About R&F

One of China's largest and most well-known property developers, Guangzhou R&F Properties Co., Ltd. is a major player in the country's drive towards urbanization. Our core business lies in mass residential property development on a variety of scales, with around 66 projects currently under development in 24 major cities including Beijing, Tianjin and Guangzhou. A proportion of our asset portfolio is held in investment properties (including prestigious hotels and shopping malls) as part of our ongoing development strategy. R&F is also involved in co-developing some important large-scale projects in conjunction with respected industry peers and expanded outside China to Malaysia & Australian property market. With a prime land bank portfolio sufficient for several years of developments, and a brand name synonymous for quality and value nationwide, R&F is expecting to contribute significantly to the quality of urban life in China over the coming year.

# Contents

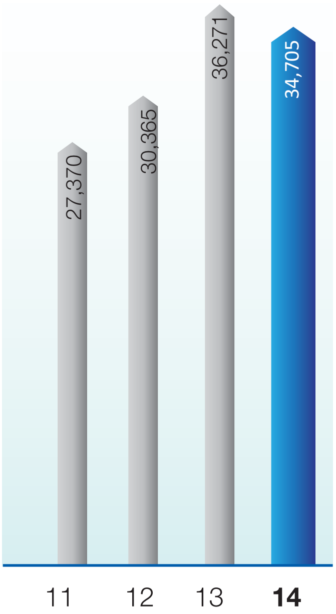

Hainan
Moon Bay Shore
Huizhou
R&F Bay Shore


Taiyuan
R&F Prosperous Palace
Hainan
Mangrove Bay

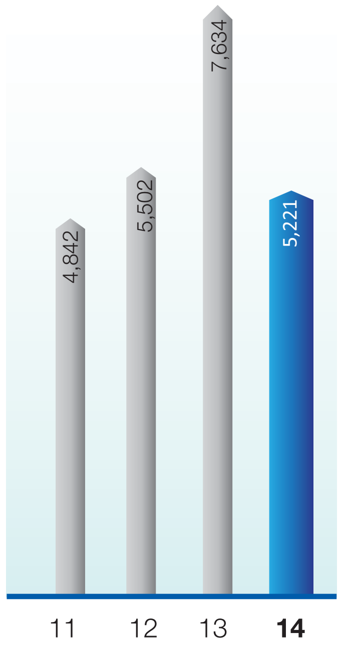
# FINANCIAL HIGHLIGHTS

| | 2014 | 2013 | % changes |
|---|---|---|---|
| **OPERATING RESULTS (RMB'000)** | | | |
| Revenue | **34,705,410** | 36,271,284 | -4% |
| Gross profit | **12,313,979** | 14,234,986 | -13% |
| Profit for the year attributable to owners of the Company | **5,220,603** | 7,633,860 | -32% |
| Basic earnings per share (RMB) | **1.6325** | 2.3900 | -32% |
| Dividends per share (RMB) | **–** | 0.62 | -100% |
| **FINANCIAL POSITION (RMB'000)** | | | |
| Cash | **19,829,922** | 24,344,335 | -19% |
| Total assets | **171,840,273** | 140,347,122 | 22% |
| Total liabilities | **119,694,711** | 106,865,079 | 12% |
| **FINANCIAL RATIOS** | | | |
| Net assets per share (RMB) | **11.2** | 10.05 | 11% |
| Dividend payout ratio (%) | **–** | 25.9 | -100% |
| Return on equity (%) | **15.2** | 25.4 | -40% |
| Net debt to total equity ratio (%) | **91.7** | 110.8 | -17% |

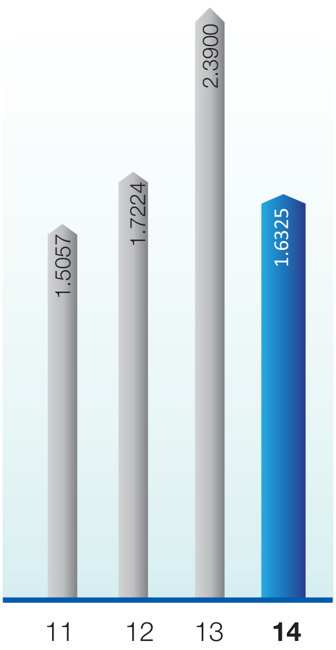
**Revenue**
RMB (in million)



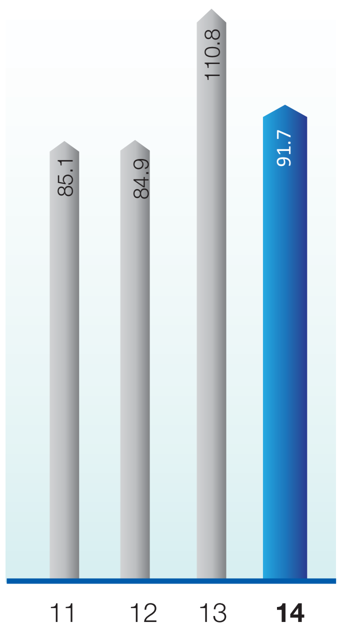

**Profit attributable to owners of the Company**
RMB (in million)




**Basic earnings per share**
RMB




**Net debt to total equity ratio**
%




Guangzhou
Jingang City
Chongqing
R&F City


Tianjin
R&F New Town

# LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS,

The year 2014 proved a significant transformational period for the Chinese economy as a whole, and the changes that have taken place have been a major factor in both the Group's performance for the year and in our strategic planning for the future. Our net profit for the year was RMB6.51 billion and our contracted sales enjoyed a 29% increase over 2013, to RMB54.4 billion, representing steady growth. However, this contracted sales was lower than our original targets, as a result of some significant changes that took place in the macroeconomic environment. What we saw over the year was an adjustment from several years of very rapid growth in China to an economic environment that has been widely described as the 'new normal' – that is, one of steadier and more sustainable growth. Although the 'new normal' is likely to mean general economic growth will be less spectacular than we have seen in previous years, it also promises to benefit the property industry in a number of ways.

## THE IMPACT OF THE 'NEW NORMAL'

China's economy in 2014 moved away from its former heavy reliance on investment and exports, and towards a trajectory of more sustainable consumption-led growth. A right balance between tight and loose fiscal and monetary policies will move the economy steadily forward. This is in effect a structural transformation of the economy, and the adjustments involved led to a slowing of GDP growth in 2014 to 7.4%, and which is predicted to ease further to 7% for 2015. This is a shift to the 'new normal', a state of affairs that characterized by slower but more sustainable economic growth. Businesses will need to adapt to this change.

The 'new normal' economy is having a natural knock-on effect on the property industry, bringing about a 'new normal' environment for property developers. To begin with, 'new normal' for developers is translating into a more mature and rational market, less prone to speculation and sudden unpredictable spikes of activity. Secondly, growth is becoming slower but steadier, on the back of a better balance between supply and demand. Thirdly, a much higher degree of market differentiation is developing than was previously the case, requiring more careful planning on the part of property developers.

## THE REGULATORY AND MARKET ENVIRONMENTS

The overall regulatory philosophy of relying on market mechanisms rather than administrative controls continued in 2014, and no new controlling measures were introduced. The existing control regime proved largely effective in producing the corrections desired in the property market and, as a result, controls over credit and purchase restrictions were further eased towards the end of the year. November saw the first cut in the interest rate for lending in over two years, while by the end of the year the number of cities with purchase restrictions in place had fallen to four, all first-tier cities, from a previous high of 46 cities nationwide.

Generally speaking, in 2014 the property market continued to undergo correction in line with the wider economic shift to its 'new normal', with control measures being kept firmly in place until late in the year. This meant lower sales prices and lower volumes of sales in most cities, as well as fewer record land transactions setting record prices, and less investment in the industry. In practical terms, these corrections resulted in a gradual realignment of supply and demand, making for a much better balance of supply and demand in first-tier cities in particular.

## BUSINESS HIGHLIGHTS OF 2014

In 2014, turnover was slightly lower than in 2013, leading to a decrease in net profit. The Group's contracted sales increased by 29% over contracted sales for 2013 to RMB54.4 billion. This figure, however, fell short of the original sales target for the year, while contracted sales in square metres increased by 20% to 4.05 million sq.m. Meanwhile, construction during the year largely proceeded on schedule, enabling the delivery of 3.16 million sq.m. of properties for sale, an increase of 16% over 2013. The reasons underpinning the Group's performance are outlined below.

The Group's lower-than-targeted contracted sales figure was closely tied with the shift towards the 'new normal' China economy. The market was weaker than expected as various economic fundamentals were adjusted, and in addition the Group declined to take part in price competition for some of its properties, seeing this as merely squandering the value of its precious land resources and as being fundamentally unsustainable in the longer term. To avoid such price competition, the Group adjusted its timetable for launch of sales as appropriate.

Land acquisitions were cut back during the year, mainly because in the previous year the Group had acquired land bank holdings of sufficient quality and quantity to sustain its development program throughout 2014 and beyond. Land bank acquisitions in Mainland China amounted to GFA of 2.317 million sq.m., bringing the Group's total land bank to 42.94 million sq.m. No land in new cities was acquired during the year. Of the new land acquired, a small percentage related to four new projects, while over 80% was acquired with the intention of adding new phases to existing projects undertaken by the Group. This ratio reflects the Group's cautious approach over the year, with the bulk of the newly acquired land being used in projects for which the Group has the benefit of past experience in development and sales. In such ways we are ensuring that every piece of land acquired meets our performance expectations.

Having first expanded outside China to Malaysia, in the past year the Group took advantage of the attractive Australian property market to acquire five development sites in the country, first in Melbourne and later in Brisbane. One driver for this decision was Australia's reasonable land prices (relative to the China market), which required only a modest investment by the Group; another related reason was that the sites available allowed for reasonable profit margins being achieved. Sales of the completed developments are expected to benefit from significant interest from Mainland Chinese investors, increasing numbers of whom are now looking to acquire property in advanced Western economies. With Melbourne recently ranked first in the Most Liveable City list compiled by *The Economist* magazine, this city in particular has a lot in its favour for both investors and Chinese looking for a base abroad.

In December, the Group acquired the InterContinental Huizhou Resort as part of its hotel business. This is a mature luxury resort hotel with upmarket facilities that include hot springs and a golf course. The acquisition of this hotel brings the total number of our hotels to eight. Most significantly, the new hotel has added valuable diversification to our hotel portfolio, which up until now consisted purely of business hotels located in city centres.

On the financing front, the Group began the year strongly with its issuance of USD1.0 billion 8.5% Senior Notes due 2019. It followed up this significant transaction in the offshore market by turning its attention to the China domestic capital market. In October, it repaid its RMB5.5 billion domestic corporate bond using internal resources. The Group did not arrange for immediate direct refinancing; instead we are taking some time to explore financing instrument options in the domestic capital market that best suited the Group's capital structure – including, but not limited to, domestic corporate bonds. In late 2014, domestic companies gained access to RMB medium term notes on the interbank market; these have attributes that seem like they could suit the Group well, and we will be further considering this option. At this stage, we are awaiting the best time for selecting our instrument of choice.

## THE OUTLOOK FOR 2015

In 2015, China policies on property are expected to continue in the same direction as in 2014. Their administrative nature should be gradually reduced, as part of the move towards a more rational and predictable system in the longer term. Eventually the various policy objectives in the related spheres of finance, land supply, affordable housing and revenue will be synchronized, which should be much easier to achieve under the 'new normal' state of the industry. Administrative control measures such as purchase restrictions is expected to be lifted in due course, and there may be further interest rate cut during the coming year.

With the inventories of property developers having been adjusted to more reasonable levels and purchasers coming to expect 'new normal' conditions, the property market looks set for slower growth in 2015, and any increases in property sale prices are likely to be moderate. Overall market demand is expected to shift away from its previous focus on rigid demand type housing and instead be much more driven by those looking to improve or upgrade their living environment. This will result in different market characteristics from city to city, with local and regional market differences likely to become much more pronounced.

## PLANS AND PROJECTS FOR 2015

The Group has adjusted its plans for the coming year appropriately, in line with the macroeconomic background and outlook sketched above. To begin with, our growth expectations have been pegged against the outlook for China's 'new normal' economy, for which slower and more stable growth at around 7% for 2015 has been estimated. As a result, the Group has set its contracted sales target for 2015 at RMB60 billion, a modest 10% increase over the actual sales achieved in 2014. For the Group, this easing of the pace of growth brings a number of advantages; for instance, it allows us to fine-tune the deployment of our resources (including our land bank, finance arrangements and manpower) to ensure we achieve long-term growth under current market conditions. This will also give us the chance to ensure we are competing strongly not simply on price, but also in terms of product quality.

As for the Group's business focus, it will move more heavily towards activity in first- and second-tier cities. We do not expect to engage in many land acquisitions during the year, and in particular will not be looking to acquire further land in third- or fourth-tier cities. If suitable land does become available for acquisition, the Group will restrict its purchases to first-tier cities such as Beijing and Guangzhou. Our selection criteria for land acquisition will also become more stringent than ever, with feasibility studies adopting more conservative estimates and net profit margin requirements being shifted higher. One of the Group's proven strengths is its expertise in the redevelopment of city core areas, and this type of project will be high on the Group's agenda. We do believe that taking on more of such projects will help the Group to meet its targets.

In terms of product type, the Group has taken account of demographic trends in today's China and is considering giving more weighting to retirement properties or other property aimed at older age groups. With the prediction that demand for property is likely to shift from the rigid demand type to the improvement type, we will also be looking to adjust our product range and tap into the growing improvement type market.

A top priority on the management front will remain the efficient and prudent management of our cash flow. Good cash flow management affects all aspects of the Group's operations. In marketing, we will be looking to achieve more creative and efficient marketing results that will in turn improve sales. We aim to control construction costs, which impact most on our overall costs, by becoming more flexible with the pace of construction of different projects in response to changes in market conditions and inventory levels. We will also be looking to boost the profitability of individual projects by introducing a minimum net margin target; this will be different for different product categories such as mass market and high-end projects, but it must be met in all cases.

## ACKNOWLEDGEMENTS

In a year of important changes in the China property environment, thanks are due to our shareholders and other investors, and the support they have offered as we have identified and developed new ways forward. Our customers are another group that I would like to thank on behalf of the Group; their support in the form of buying homes from us is the ultimate measure of how well the Group understands the market and how successfully it is pursuing its goals. Within the Group, I would like to express my sincere thanks to the Directors, whose experience and wisdom have moved us forward in important ways. Finally, my thanks go out to our thousands of staff members, who have translated our corporate values into concrete action through their hard work and dedicated service. With all these groups supporting our management team so effectively, we can indeed be confident of a strong year ahead for the Group.

**Li Sze Lim**
*Chairman*

**Zhang Li**
*Co-chairman and Chief Executive Officer*


Shenyang
R&F Royal Villa
Xian
R&F City


Baotou
R&F City
Malaysia
R&F Princess Cove

## CONTRACTED SALES

The Group generated contracted sales of RMB54.4 billion in 2014, an increase of 29% over the previous year's total. These contracted sales were derived from 58 projects in 21 cities from across three main regions of China (Northern China, Southern China, and Hainan), along with Johor Bahru, Malaysia. On a regional basis, contracted sales for Southern China and Northern China increased by 34% and 27% respectively, to RMB20.352 billion and RMB30.613 billion, while Hainan decreased by 41% to RMB1.745 billion. Six cities – Fuzhou, Meizhou, Guiyang, Batou, Foshan and Johor Bahru, Malaysia – contributed contracted sales for the first time, which together accounted for 9% of the overall total. At the city level, contracted sales for Guangzhou and Beijing remained the highest of all cities at RMB14.396 billion and RMB12.562 billion respectively, representing respective increases of approximately 33% and 48% over 2013. The combined contracted sales for these two cities accounted for approximately 50% of the Group's total contracted sales. In 2014, significant contributions arose from 17 newly launched projects distributed across 15 cities, which amounted to 36% of total contracted sales. Total contracted sales in terms of GFA increased by 20% to 4,048,200 sq.m. from 3,385,700 sq.m., reflecting a further increased average selling price of RMB13,400 per sq.m. for the year, compared with RMB12,500 per sq.m. the previous year.

Details of the Group's 2014 contracted sales by geographical distribution are set out below:

| Location | Approximate saleable area sold (sq.m.) | +/-% vs. 2013 | Approximate total value (RMB million) | +/-% vs. 2013 |
|---|---|---|---|---|
| Guangzhou | 531,700 | 3% | 14,396 | 33% |
| Huizhou | 152,800 | -30% | 1,107 | -18% |
| Chongqing | 256,200 | 6% | 1,429 | 4% |
| Chengdu | 139,500 | -27% | 748 | -54% |
| Fuzhou | 25,900 | N/A | 508 | N/A |
| Meizhou | 206,100 | N/A | 961 | N/A |
| Guiyang | 11,100 | N/A | 179 | N/A |
| Foshan | 132,400 | N/A | 1,024 | N/A |
| **Southern Region** | **1,455,700** | **25%** | **20,352** | **34%** |
| Beijing and vicinity | 913,800 | 19% | 12,562 | 48% |
| Tianjin | 262,400 | 6% | 4,550 | -2% |
| Taiyuan | 609,400 | 11% | 4,504 | 14% |
| Xian | 40,000 | -32% | 513 | -33% |
| Shenyang | 37,900 | 181% | 282 | 92% |
| Harbin | 68,200 | -25% | 1,399 | -19% |
| Shanghai and vicinity | 93,400 | 0% | 2,374 | 43% |
| Hangzhou | 116,000 | 169% | 1,924 | 157% |
| Nanjing | 64,900 | -23% | 1,174 | -27% |
| Wuxi | 57,200 | 823% | 631 | 513% |
| Datong | 31,700 | -42% | 151 | -46% |
| Baotou | 93,900 | N/A | 549 | N/A |
| **Northern Region** | **2,388,800** | **24%** | **30,613** | **27%** |
| **Hainan** | **114,900** | **-44%** | **1,745** | **-41%** |
| **Johor Bahru, Malaysia** | **88,800** | **N/A** | **1,690** | **N/A** |
| **Total** | **4,048,200** | **20%** | **54,400** | **29%** |

## PROJECTS UNDER DEVELOPMENT

In response to changing market conditions the Group was flexible in its approach to managing its property under development during the year, looking to ensure efficient deployment of its resources and to avoid accumulating excessive inventory. The Group started the year with approximately 10.04 million sq.m. of GFA under development, spread across 48 projects in 19 cities. During the year, the Group completed 4.64 million sq.m. GFA of which 3.79 million sq.m. was saleable area, and started construction of approximately 8.83 million sq.m. GFA across 48 projects. By the end of the year, therefore, the Company's GFA under development had increased by 42% to approximately 14.24 million sq.m., distributed across 66 projects. This amount of property under development at year-end, when put together with further planned construction new starts in 2015, is expected to make available pre-sale permits for properties with an approximate value of over RMB110 billion, which should provide a solid basis for meeting the Company's sales target for 2015.

The following is the position as at 31 December 2014:

| **Location** | **Number of projects** | **Approximate total GFA (sq.m.)** | **Approximate saleable area (sq.m.)** |
|---|---|---|---|
| Guangzhou | 12 | 1,636,000 | 1,184,000 |
| Beijing and vicinity | 7 | 1,562,000 | 1,218,000 |
| Tianjin | 6 | 1,467,000 | 1,026,000 |
| Taiyuan | 4 | 1,336,000 | 960,000 |
| Huizhou | 3 | 1,183,000 | 920,000 |
| Harbin | 2 | 912,000 | 755,000 |
| Shanghai and vicinity | 3 | 732,000 | 385,000 |
| Chongqing | 3 | 616,000 | 479,000 |
| Meizhou | 1 | 586,000 | 496,000 |
| Hangzhou | 2 | 509,000 | 351,000 |
| Hainan | 5 | 495,000 | 475,000 |
| Wuxi | 2 | 396,000 | 262,000 |
| Fuzhou | 2 | 356,000 | 252,000 |
| Chengdu | 1 | 316,000 | 222,000 |
| Nanjing | 2 | 296,000 | 197,000 |
| Baotou | 1 | 274,000 | 205,000 |
| Foshan | 1 | 170,000 | 125,000 |
| Shenyang | 2 | 159,000 | 146,000 |
| Guiyang | 1 | 143,000 | 131,000 |
| Xian | 2 | 143,000 | 108,000 |
| Zhuhai | 1 | 135,000 | 100,000 |
| Datong | 1 | 90,000 | 45,000 |
| Changsha and vicinity | 1 | 57,000 | 30,000 |
| Johor Bahru, Malaysia | 1 | 666,000 | 365,000 |
| **Total** | **66** | **14,235,000** | **10,437,000** |

## SOUTHERN CHINA

The Group did not enter any new cities in the region during the year; its operations in Southern China covered eleven cities, of which eight cities contributed contracted sales in the year. The three cities which have yet to contribute contracted sales are Changsha, Nanning and Zhuhai, all of which the Group entered last year through first-time purchases of land.

**Guangzhou** is the Group's key city in Southern China. The city once again recorded the highest contracted sales of the Group, not simply for Southern China but for all the cities where it operates. Contracted sales for Guangzhou in the year amounted to RMB14.4 billion, an increase of 33% over the previous year. Sales were mainly derived from nine continuing projects and two new projects. One of the new projects was the very successful commercial project R&F Yingyao Plaza. This project, together with R&F Dongshan Xintiandi (a continuing project launched in 2013), accounted for 68% of contracted sales in Guangzhou. R&F Yingyao Plaza had the distinction of being the single-phase project with the highest sales in Guangzhou in the year. This project, located in Pearl River New Town, was substantially sold following overwhelming demand, reflecting market recognition of the quality and long-term value of commercial properties developed by the Group. R&F Dongshan Xintiandi, which originated as a city core redevelopment project, is a comprehensive multi-phase development encompassing high-end residential units, serviced apartments, offices and retail properties. The project enjoyed a strong debut in 2013 and gained further sales momentum in the year under review, achieving sizable contracted sales that ranked the project second among all the Group's projects in Guangzhou. Office and commercial properties have always made up an important component of the Group's sales in Guangzhou, and this year was no exception. R&F Yingyao Plaza, together with two other office projects (R&F Tianyu Center and R&F Yingtong Plaza), made up 48% of Guangzhou's contracted sales. R&F Tianyu Center is an office building development located in Guangzhou's Haizhu district. It was first launched in 2013 and has enjoyed success similar to that of the Group's other office projects in the Pearl River New Town CBD. Contracted sales for Guangzhou for the year also included sales attributable to the Group from three joint venture projects, including the second of the two new projects, R&F Tianhaiwan. Average selling price for Guangzhou in the year was RMB27,080 per sq.m., approximately 29% higher than the previous year. This was a result of the product mix including proportionally more higher-end residential properties sales. During the year, construction starts amounted to 213,000 sq.m., bringing the area under construction at the end of the year to 1.64 million sq.m.

**Chongqing, Chengdu and Huizhou**, three cities in the Southern China region where the Group has been operating for some years, together accounted for 16% of the region's contracted sales. In Chongqing, the sales focus during the year was on a single project, the multi-phase mega project R&F City, now in its ninth year of development. Although regarded as a single project, the massive scale of Chongqing R&F City is such that it offers a full range of products, including residential properties, serviced apartments and retail properties, at various different price levels. The completion of a landscape garden showcase area early in the year was instrumental in further raising the quality of the project, in turn boosting its competitiveness and helping increase contracted sales for Chongqing by 4% to RMB1.43 billion. Upon its final completion, Chongqing R&F City will have a total GFA of approximately 6.8 million sq.m.; up to the end of 2014, GFA of approximately 1.75 million sq.m. had been completed, with cumulative contracted sales from the project amounting to approximately RMB8.7 billion. While Chongqing R&F City will remain the key project going into 2015, preparations are well underway for the launch of a fresh project, Chongqing R&F Bayshore in Yubei District, with a total GFA of approximately 431,000 sq.m. The first phase of this project for expected sale in 2015 will consist of villas and high-rise residential units of approximately 109,000 sq.m. GFA. Turning to Chengdu, the main project during the year was the rigid demand residential project R&F Peach Garden. Sales in the year were stable, remaining at roughly the same level as those of the previous year. However, with contracted sales of the high-end R&F Ritz International Apartment project slowing in the year due to the sluggishness of Chengdu's luxury market segment, contracted sales for Chengdu for the year fell by 54%. Chengdu R&F Peach Garden will remain a key project in the coming year, while sales efforts targeted at boosting sales of R&F Ritz International Apartment will be stepped up by further leveraging the project's high quality amenities and its association with The Ritz-Carlton, Chengdu. Huizhou's contracted sales, based on the same three projects as the previous year, fell by 18%. R&F Hot Spring Valley at Longmen accounted for 80% of the total.

**Meizhou, Fuzhou and Guiyang** are new cities for the group in the Southern China region that contributed sales for the first time in the year, from one project in each city. Their aggregate contracted sales amounted to RMB1.65 billion, equivalent to 8% of the region's total. The Group entered the Meizhou property market with the rigid demand project Meizhou R&F City. This project's sales performance met all expectations, and has already given the Group a respectable share in Meizhou's property market despite strong competition from reputable national developers. The Group decided to enter the Fuzhou and Guiyang markets with a similar product type for each, both projects involving a mix of offices and serviced apartments: Fuzhou R&F Center and Guiyang R&F Center.

## NORTHERN CHINA

The Group operated in twelve cities in Northern China in the year, without any new additions. These twelve cities were Beijing, Tianjin, Xian, Taiyuan, Shenyang, Shanghai, Nanjing, Harbin, Datong, Hangzhou, Wuxi and Batou. The region provided 32 of the total of 58 projects being sold by the Group in the year, and accounted for approximately 56% of the Group's contracted sales.

**Beijing** has undergone rapid changes in the 20 years since the Group first began operating in the city. Particularly noticeable is the change in the city landscape, something which the Group has itself played its part in through several major projects. These have included the Group's first project in the city, Beijing R&F City, followed by other projects such as R&F Festival City and R&F No.10. Alongside Guangzhou, Beijing is the primary city for sales for the Group. Contracted sales for Beijing for the year amounted to RMB12.56 billion, a 48% increase over 2013, and accounted for 41% of the Group's regional and 23% of its total contracted sales, ranking the city just behind Guangzhou. All Beijing's contracted sales were from residential projects. The sole new project in Beijing during the year, R&F Huilan Meju, was also the project that recorded the highest sales. R&F Huilan Meju is located in the Tongzhou district to the southeast of Beijing, and occupies a site of 294,000 sq.m., with GFA of 466,000 sq.m. The project is easily accessible via the Tongzhou Beiguan station on Beijing Subway Line 6. Benefitting from good transportation infrastructure and a very affordable average price tag per unit (in the RMB2 million range), the project sold 364,700 sq.m. for RMB5.34 billion in the year, and contributed 42% of the sales for Beijing. R&F New Town and R&F Shangyue Court, which were the two top projects the previous year, continued to perform well and achieved combined sales of approximately RMB4.19 billion, or 33% of Beijing's total sales. R&F New Town, located in Xianghe, has built up solid competitive advantages over other developments in the area. The whole project has a GFA of 1.88 million sq.m., of which over 900,000 sq.m. has been sold to date.

**Tianjin** maintained steady contracted sales in 2014 of RMB4.55 billion, as compared to RMB4.63 billion the previous year, ranking it third among all the cities in which the Group operates. Its share of the Group's overall sales decreased to approximately 8% from 11%. For some years the key project in the city has been the flagship residential project R&F Jinmen Lake, now in its eighth year of development. This project achieved contracted sales of RMB3.24 billion and accounted for 71% of Tianjin's sales. Cumulative sales of the project to date amount to approximately RMB17.2 billion, with approximately 425,000 sq.m. yet to be developed. Tianjin had two new projects in the year, increasing the total number of the Group's projects there to six; they were R&F New Town and R&F Shangyue Court, which together added RMB830 million to the city's sales. Although they are only medium-sized projects, their introduction has broadened the range of products offered by the Group in Tianjin and is building a base for a sustainable sales performance. R&F New Town and R&F Shangyue Court occupy a segment of the Tianjin market distinctively different from R&F Jinmen Lake, and are thus helping to reduce the overall development risks connected with Tianjin.

**Taiyuan** has proven the effectiveness of the Group's development strategies. In the relatively short period since the Group first entered Taiyuan, the Group has achieved market leadership in the city. It has been the developer with the highest sales for the three consecutive years from 2012 to 2014, along with a constantly increasing market share. The Group has achieved this strong market position by offering a complete product line, from bare shell units to rigid demand products to quality residential units, as in the three projects sold in the year — R&F City, R&F Peach Garden and R&F Prosperous Palace. Total contracted sales for these three projects amounted to

RMB4.32 billion, an increase of 10% from the RMB3.94 billion of the previous year. R&F City is the largest of the Group's projects in northern China, with a total GFA of approximately 2.1 million sq.m. The project is now in its fourth phase; its image and styling has been continuously enhanced over the years, and it has also benefitted from the ongoing completion of various ancillary facilities. The expected opening of the Group's luxurious Pullman Taiyuan R&F Hotel in the second quarter of 2015 as part of this development is also having a strong impact on sales. The project has attracted a broad range of buyers, including home upgraders; it achieved RMB3.40 billion in contracted sales in the year, with cumulative sales of RMB11.12 billion since its first launch in July 2008. The other two projects, R&F Prosperous Palace and R&F Peach Garden, are respectively an up-market project and a rigid demand type project. When these existing projects are joined by two brand-new projects, R&F Xiyue Court and R&F Mengshan project in 2015, the Group will have the richest range of product offerings of all the developers in Taiyuan.

**Shanghai, Hangzhou, Nanjing and Harbin** are the cities in the region which, following Beijing, Tianjin and Taiyuan, achieved contracted sales of not less than RMB1 billion each. With three new projects launched among them in the year, this group of cities had combined contracted sales of RMB6.87 billion, or 22% of the region's total. In Shanghai, contracted sales increased by 43% over the previous year. A main driver for this increase was sales of the first phase of R&F Hongqiao No. 10, built on a site in Hongqiao in metropolitan Shanghai acquired by the Group in 2013. R&F Hongqiao No. 10 is the Group's signature luxury residential development, one which has gained wide market recognition. One hundred units at R&F Hongqiao No. 10 were sold on the first day of sales, a truly outstanding performance in the then prevailing market conditions. R&F Hongqiao No.10 contributed 54% of contracted sales for Shanghai in 2014. In addition to high-end residential properties, high quality office buildings will also be developed on the Hongqiao site and offered for sale in 2015. The offices will include unique features that will enhance segregation of the inner (quiet) and outer (active) zones of the office. The low-density residential development R&F Bay Shore in Kunshan, which promotes a relaxing lifestyle and enjoys superb lake views of the Kunshan area, continued to achieve satisfactory sales in the year. Hangzhou, having laid a firm foundation for sales of R&F Xixi Resident in 2013, saw its contracted sales rise by 157% in the year. The project has been positioned as a high-end residential project, and is located on a site acquired by the Group in late 2012 in Hangzhou Future Sci-tech City, which is expected to become one of Hangzhou's prime addresses. The project offers residential units of various sizes, from 89 to 189 sq.m., meeting the preferences of different purchasers. The introduction of its luxurious R&F No. 10 and contemporarily designed retail properties to Hangzhou in 2015 will further boost the Group's overall brand recognition in the city, and benefit future sales. Nanjing and Harbin each launched a new project in the year to add to an existing ongoing one, making for two projects for sale in each city in the year. In Nanjing the new project was R&F Shangyue Court, launched in August 2014. Sales for this project for the period from its launch to the end of the year were highest of all residential developments in its locality. Meanwhile R&F City, an ongoing mixed-use project with both commercial and residential components that was first launched in 2011, remained the city's key project, accounting for 63% of Nanjing's contracted sales. The project is located on a 572,000 sq.m. site in the Qi Li High-Tech Incubation Park, in Nanjing's Jiang Lin District, where its comprehensive facilities appeal to a broad spectrum of potential purchasers. Cumulative contracted sales in GFA for R&F City now amount to approximately 288,000 sq.m., out of a total GFA of 545,000 sq.m. for the whole project. In Harbin, the ongoing mixed residential/commercial project R&F Jiangwan New Town, launched in 2012, accounted for 91% of the city's contracted sales; the remaining sales came from the new project R&F City. Cumulative contracted sales for R&F Jiangwan New Town amounted to RMB3.86 billion, or 184,100 sq.m. sold.

**Xian, Shenyang, Wuxi, Batou and Datong**, the other cities in the region where the Group operates, together contributed approximately 7% of the region's contracted sales. Apart from Shenyang, where the Group concentrates on the villa and higher-end market segment, in these cities the product being offered to meet mainstream rigid demand is R&F City. Xian R&F City is the oldest of these, and is now in its final phase after nine years of development. Total GFA of over one million sq.m., with a sales value of RMB5.9 billion, has been developed and sold over the years. The R&F City projects in Datong, Wuxi and Batou are much newer; Datong R&F City was first sold in 2013, while Wuxi R&F City and Batou R&F

City were new for the year. Like all R&F City projects, these are multi-phase developments with comprehensive support facilities that will be cornerstone projects for their respective cities for years to come. Unlike in the other cities, in Wuxi (where competition is exceptionally intense) R&F City was introduced as a second project after the debut project R&F No. 10, for which the Group looked to tap into the purchasing power of a different market segment. Shenyang saw the launch of R&F Shangyue Court in the year. This was a second project to follow on from the Group's R&F Royal Villa, a pure villa development catering to the luxury property market.

**Hainan**

Separated geographically from the Chinese mainland, Hainan's property market is unique in many aspects; it enjoys favourable year-round warm weather and an unmatched natural environment. Given this, the Group aims to develop properties on the island which are not merely perceived as dwellings, but as sanctuaries and places where people can pursue their dreams. The Group has applied this development theme to three projects in Hainan that have been ongoing for the last few years, and during the year it added a fourth. The Hainan property market was slow in 2014, and the Group's contracted sales for the year decreased to RMB1.75 billion from RMB2.95 billion the previous year. The three on-going projects were R&F Bay Shore, R&F Yingxi Valley, and R&F Mangrove Bay. R&F Bay Shore at Xiangshui Bay is a mix of resort style low-rise apartments with additional facilities that will include a resort hotel and a yacht club. R&F Yingxi Valley is located on Haikou's west coast and is comprised of villas and linked houses, while R&F Mangrove Bay is located at Chengmai Town adjacent to 99 acres of mangrove forest. The new project in the year was R&F Moon Bay Shore. It is located at Wenchang, one of the three historic towns of Hainan, and is comprised of villas and high-rise apartments built along 11 kilometres of shoreline. This project offers a serene environment within an hour's commute from Haikou when the transportation infrastructure has been completed; this will be another popular project by the Group in Hainan.

**Johor Bahru, Malaysia**

The Group entered the Malaysian property market because it was attracted by, among other things, the breadth of the potential customer base. This includes local Malaysian residents, Singaporeans from across the border, and mainland Chinese investors looking for quality properties overseas. Sales of the Group's first project in Johor Bahru, R&F Princess Bay, commenced in August 2014, less than eight months after the signing of the sale and purchase agreement for the site. The project has been especially designed to suit the different groups of target customers, while also introducing new standards of safety and living convenience to the area. Contracted sales of RMB1.69 billion were recorded for the year.

## LAND BANK

Following a year of very active land acquisition in 2013, the Group had secured sufficient land for its development plans for the medium term by the beginning of the year. The Group accordingly chose to be especially selective in making further land purchases during the year. Ten plots of land in eight cities, with a total attributable GFA of 2,317,000 sq.m., were acquired in the year. Evidencing the Group's prudent approach to new land acquisition, of the plots acquired six (representing 83% in terms of GFA) were new sites in existing already successful projects, a move that is helping minimize development risks. All the other new plots were acquired in existing cities where the Group has considerable development experience. The Group's total land bank at year-end had increased to 42.94 million sq.m. GFA. Details are given below:

| Location | Approximate total GFA (sq.m.) | Approximate saleable area (sq.m.) |
|---|---|---|
| **Development Properties** | | |
| Guangzhou | 2,699,000 | 2,495,000 |
| Beijing and vicinity | 2,636,000 | 1,924,000 |
| Tianjin | 4,779,000 | 4,161,000 |
| Shanghai and vicinity | 531,000 | 519,000 |
| Hangzhou | 399,000 | 358,000 |
| Chongqing | 4,790,000 | 4,754,000 |
| Hainan | 3,415,000 | 3,299,000 |
| Huizhou | 2,978,000 | 2,978,000 |
| Taiyuan | 2,013,000 | 1,988,000 |
| Harbin | 1,326,000 | 1,326,000 |
| Nanjing | 531,000 | 435,000 |
| Wuxi | 866,000 | 863,000 |
| Baotou | 1,464,000 | 1,464,000 |
| Fuzhou | 554,000 | 554,000 |
| Xian | 414,000 | 406,000 |
| Foshan | 228,000 | 228,000 |
| Chengdu | 649,000 | 378,000 |
| Guiyang | 188,000 | 188,000 |
| Shenyang | 263,000 | 249,000 |
| Zhuhai | 100,000 | 100,000 |
| Nanning | 166,000 | 166,000 |
| Changsha and vicinity | 3,299,000 | 3,299,000 |
| Datong | 1,877,000 | 1,877,000 |
| Meizhou | 2,070,000 | 2,070,000 |
| Melbourne, Australia | 298,000 | 298,000 |
| Brisbane, Australia | 178,000 | 178,000 |
| Johor Bahru, Malaysia | 3,500,000 | 3,500,000 |
| **Investment Properties** | **730,000** | **713,000** |
| **Total** | **42,941,000** | **40,768,000** |

## INVESTMENT PROPERTIES

One of the Group's key business strategies continues to be to own a portfolio of investment properties that generate a reliable cash flow through the ups and downs of the economic cycle. The Group plans to grow its investment portfolio over time, and at an appropriate pace, into a collection of rental office buildings, shopping malls and hotels of the highest quality and capital value. These qualities can already be seen in its existing key properties, which include the Group's office building, R&F Center, in Pearl River New Town in Guangzhou, and its shopping mall, R&F Viva Mall in Beijing, both of which also enjoy the benefit of excellent locations. During the year, a new hotel was added to the portfolio, while a further 463,000 sq.m. of investment property of all categories was at various stages of construction. The new hotel acquired, the eighth hotel to be owned by the Group, was the InterContinental Huizhou Resort. Acquired as a fully operational hotel, this was the first resort hotel to be owned by the Group. It adds diversity to the Group's existing hotel portfolio, mainly made up of city-centre business hotels and comprising six 5-star hotels in Beijing, Guangzhou, Chengdu, Chongqing and Huizhou, together with the Express by Holiday Inn Temple of Heaven Beijing. All these hotels, which are operated by reputable international hotel management companies and are haracterized by the highest hospitality industry service standards, remained competitive in their respective localities. Investment properties completed or in the pipeline are as follows:

| Investment properties | Location | Description | Approximate total GFA (sq.m.) |
|---|---|---|---|
| **Guangzhou** | | | |
| The Ritz-Carlton, Guangzhou* | Pearl River New Town J2-7 | 5-star hotel<br>351 rooms and<br>91 serviced apartments | 104,000 |
| Grand Hyatt, Guangzhou* | Pearl River New Town F1-2 | 5-star hotel<br>375 rooms | 115,000 |
| R&F Center* | Pearl River New Town J1-4 | 55-storey<br>office building | 163,000 |
| Holiday Inn Guangzhou Airport Zone* | R&F Jingang City | 4-star hotel<br>350 rooms | 38,000 |
| Park Hyatt, Guangzhou | Pearl River New Town J1-1 | 5-star hotel<br>176 rooms | 66,000 |
| Conrad, Guangzhou# | Pearl River New Town<br>Liede Village | 5-star hotel<br>350 rooms | 39,000 |
| R&F Haizhu City* | R&F Tianyu Center | Shopping mall | 50,000 |
| **Beijing** | | | |
| Renaissance Beijing Capital Hotel* | Beijing R&F City | 5-star hotel<br>540 rooms | 120,000 |
| R&F Center* | Beijing R&F City | Office building | 60,000 |
| Viva Beijing R&F Plaza* | Beijing R&F City | Shopping mall | 111,000 |
| Holiday Inn Express Temple of Heaven Beijing* | R&F Xinran Court/Plaza | 4-star hotel<br>321 rooms | 22,000 |
| **Tianjin** | | | |
| Marriott Hotel Tianjin | Tianjin R&F City | 5-star hotel<br>400 rooms | 58,000 |
| R&F Plaza* | Tianjin R&F City | Shopping mall | 43,000 |

| Investment properties | Location | Description | Approximate total GFA (sq.m.) |
|---|---|---|---|
| **Huizhou** | | | |
| Renaissance Huizhou Hotel* | R&F Ligang Center | 5-star hotel<br>342 rooms | 54,000 |
| Hilton Huizhou Longmen Resort | R&F Hot Spring Valley | 5-star hotel<br>350 rooms | 45,000 |
| InterContinental Huizhou Resort* | No.1 Wenquan Dadao, Hengli Town | 5-star hotel<br>200 rooms<br>21 villas | 52,000 |
| **Chongqing** | | | |
| Hyatt Regency Chongqing* | Jiangbei District | 5-star hotel<br>321 rooms | 46,000 |
| R&F Ocean Plaza (Retail)* | R&F Ocean Plaza | Shopping mall | 73,000 |
| Holiday Inn University City Chongqing | Chongqing R&F City | 4-star hotel<br>390 rooms | 68,000 |
| **Chengdu** | | | |
| R&F Tianhui Mall* | Panda City | Shopping mall | 255,000 |
| The Ritz-Carlton, Chengdu* | Panda City | 5-star hotel<br>353 rooms | 57,000 |
| **Hainan** | | | |
| Doubletree Resort by Hilton, Haikou–Chengmai | R&F Mangrove Bay | 5-star hotel<br>300 rooms | 38,000 |
| Lingshui R&F Bay Shore Marriott & Yacht Club | R&F Bay Shore | 5-star hotel<br>300 rooms | 76,000 |
| R&F Ocean Park | Lingshui County | Hotel, travel & commercial | 200,000 |
| **Xian** | | | |
| R&F Holiday Inn Xian | Xian R&F City | 4-star hotel<br>380 rooms | 50,000 |
| **Harbin** | | | |
| The Ritz-Carlton, Harbin | R&F Jiangwan New Town | 5-star hotel<br>350 rooms | 67,000 |
| **Taiyuan** | | | |
| Pullman Taiyuan R&F Hotel | Taiyuan R&F City | 5-star hotel<br>320 rooms | 41,000 |
| **Shanghai** | | | |
| Hyatt Place Shanghai# | Jiayu Wan | 5-star hotel<br>150 rooms | 16,000 |

* Completed, operating and pre-opening
\# Joint Venture Project

## OUTLOOK

For 2015, the Group's contracted sales target has been set at RMB60 billion, approximately 10% more than its actual contracted sales for 2014. The figure represents a proposed growth rate that takes into account the realities of the "new normal" market. This target will be achieved from sales of 62 projects in 23 cities, which will deliver 4.01 million sq.m. of properties. The details are set out below:

| Location | To be completed in 1st half of 2015 Approximate total GFA (sq.m.) | To be completed in 1st half of 2015 Approximate total saleable area (sq.m.) | To be completed in 2nd half of 2015 Approximate total GFA (sq.m.) | To be completed in 2nd half of 2015 Approximate total saleable area (sq.m.) |
|---|---|---|---|---|
| Guangzhou | 164,000 | 127,000 | 520,000 | 367,000 |
| Huizhou | 177,000 | 138,000 | 198,000 | 157,000 |
| Chongqing | 164,000 | 124,000 | 87,000 | 67,000 |
| Chengdu | 137,000 | 97,000 | 48,000 | 37,000 |
| Meizhou | – | – | 292,000 | 290,000 |
| Guiyang | – | – | 44,000 | 42,000 |
| Fuzhou | – | – | 101,000 | 88,000 |
| Hainan | 51,000 | 40,000 | 219,000 | 170,000 |
| Beijing & vicinity | 281,000 | 229,000 | 521,000 | 455,000 |
| Tianjin | – | – | 208,000 | 180,000 |
| Taiyuan | 25,000 | 25,000 | 319,000 | 286,000 |
| Datong | 44,000 | 43,000 | – | – |
| Xian | – | – | 112,000 | 105,000 |
| Harbin | – | – | 205,000 | 194,000 |
| Shenyang | – | – | 65,000 | 61,000 |
| Shanghai & vicinity | 129,000 | 55,000 | 48,000 | 47,000 |
| Nanjing | – | – | 177,000 | 123,000 |
| Hangzhou | – | – | 232,000 | 187,000 |
| Wuxi | – | – | 122,000 | 114,000 |
| Baotou | – | – | 111,000 | 96,000 |
| Foshan | – | – | 87,000 | 66,000 |
| **Total** | **1,172,000** | **878,000** | **3,716,000** | **3,132,000** |

Hangzhou
R&F Xixi Resident

Guangzhou
R&F Yingyao Building

Huizhou R&F Bay Shore

Guangzhou
R&F Tianyu Plaza

Beijing Huilan Meiju

## Guiyang R&F Center

## Meizhou R&F City

## Shenyang R&F Shengyue Court

## Fuzhou R&F Center

Tianjin R&F Center

Beijing
R&F Shangyue Court

Taiyuan R&F City

Guangzhou
R&F Nansha Tangning

Nanjing R&F City

## Datong R&F City

## Wuxi R&F City

## Malaysia R&F Princess Cove

## Shanghai R&F Hongqiao No.10

## Xian R&F City

In 2014, the key focus of investor relations remains maintaining a regular dialogue with the investor community. Through an active and open dialogue, we regularly provide updates on our operations and financial position with the primary objective of allowing investors to make an informed assessment of the Company. In addition, we also regularly attend conferences and investor forums to provide an opportunity for direct interaction with a wider investor base. As a result of these interactions, we hope to enable the investment community to have a better understanding of the sector trends, macro environment, and how we navigate the challenges ahead.

In 2014, the overall sentiment of the Chinese property sector was weak. However, despite the weak sentiment, we consistently focus on achieving growth whilst avoiding a significant deterioration in gross profit margin. As always, we look to provide appropriate information for investors and research analysts to form their own view of the Company. We also release timely monthly sales announcements each month as the year progresses.

Having built a rapport with investors, the Company successfully issued USD1,000 million senior notes in early January 2014 maturing in 5-year. It sizeable issue marked the largest single funding amount we have ever achieved. The increased financing opportunities illustrate our ability to continue to broaden our financing channels as we reach a larger scale. With increased funding and greater financial flexibility, we met our obligations on our offshore RMB2.6 billion dim sum bond and onshore RMB5.5 billion in 2014. To maintain our financing channels, we will also look to maintain a high corporate rating by rating agencies Moody's, Standard and Poor's and Fitch.

The Company values every opportunity to engage in open conversation with the investment community, and hence, we attended 24 global conferences, post-result analyst meetings, and NDRs in Asia, Europe and the US. The Company would like to thank all investors and shareholders who have given positive feedback and constructive comments to management to take onboard. We would also like to thank the property research community for their ongoing research coverage and independent analysis. We look forward to another year of cooperation to provide the highest level of standard of our investor relations services.

| Month | Conference/Road Show |
|---|---|
| March | • Post-result NDR with Deutsche Bank (Hong Kong)<br>• Post-result NDR with UBS (Hong Kong)<br>• Post-result NDR with BAML (Hong Kong)<br>• Post-result NDR with BAML (Singapore) |
| April | • UBS HK/China Property Conference 2014 (Hong Kong)<br>• HSBC 5th Annual Greater China Property Conference (Hong Kong) |
| May | • Macquarie Greater China Conference (Hong Kong)<br>• Barclays Select Series 2014: Asia Financial & Property Conference (Hong Kong)<br>• 5th Annual DB Access Asia Conference 2014 (Singapore)<br>• BAML Annual Emerging Markets Corporate Conference (Miami) |
| June | • HSBC 2nd Annual Asia Investor Forum (London)<br>• J.P. Morgan's 10th Annual Global China Summit 2014 (Beijing)<br>• BAML Greater China Property & Conglomerates Corporate Day (Hong Kong)<br>• Citi Asia Pacific Property Conference 2014 (Hong Kong) |
| August | • Post-interim result NDR with DB (Hong Kong)<br>• Post-interim result NDR with BAML (Hong Kong)<br>• Post-interim result NDR with UBS (Hong Kong)<br>• Post-interim result NDR with JPM (Singapore)<br>• Post-interim result NDR with HSBC (London) |
| September | • SCB Investor Meeting (Hong Kong) |
| October | • HSBC China Conference – Racing towards China's Dream (Shanghai) |
| November | • Citi China Investor Conference (Macau)<br>• BAML 2014 China Conference (Beijing)<br>• Morgan Stanley 13th Annual Asia Pacific Summit (Singapore) |

## WORKPLACE AND EMPOLYEES

The Group endeavours to build a high quality relationship-based workplace where there are open communication, trust and respect among co-workers guided by a clear mission. A healthy work/life balance for employees is encouraged.

The Group has always given training of employees a high priority and it has become even more important with the Group growing not only in China but also expanding overseas to Malaysia and Australia. The Group adopts a proactive approach to employees training and development believing in its long-term value and positive impact. Training encompassing professional skill, technical skills, as well as management and career development which suit different employees are offered as appropriate. During the year, the Group continued with existing and at the same time introduced new up-to-date training modules such as R&F Star programme (including graduate internship programme) and advance training course on engineering management by Tsinghua University for new managers. These programmes which are improved on an on-going basis adheres to the Group's corporate philosophy of "pragmatic advancement, always people first" while securing sufficient manpower for its development and expansion.

As of 31 December 2014, the Group had a total of approximately 26,458 employees.

## COMMUNITY SERVICE

The Group defines its mission in the context of its social responsibilities and had developed yearly social responsibility focus based on the perceived needs of the society at the time. The Group through its own effort and also through collaboration with other enterprises and the public, strived to contribute to the needs of the community as identified and bringing warmth and caring to selected communities. Our activities in the year had achieved satisfactory result in several areas such as culture advancement and community support.

In November 2014, New Home (R&F) Guangzhou Social Service Center (the "Center") was opened in R&F Community Yuexiu District, Guangzhou. The Center provides services catered for new arrivals with the concept of "caring home, cohesive society". The Center helps new arrivals to get familiar to the local habits and customs and thereby helping them to adapt into the local community and heightens their sense of belonging. The Center on the other hand provides opportunities for local residents to interact with and understand the new arrivals. Through these two actions, the Center contributes toward the building of a diversified but harmonious community. The Group provides premises to the Center for use as its offices for free and sponsored the decoration and equipment costs for the Center.

In April 2014, the Group donated materials valued at approximately RMB10 million to students in colleges, primary and secondary schools in the three provinces of Taiyuan, Datong and Jincheng. These materials were essential to the children's schooling and reflected the love and caring for them from people in R&F.

Beginning in July 2014, the Group launched "R&F · Rainbow Umbrella" Child Safety Education Promotion Plan in conjunction with Guangzhou Municipal League, Guangzhou City Youth Culture Palace and Guangzhou Creative Warehouse Society Development Center. The plan effectively promoted child safety education and raised awareness and improved knowledge of parents and children in multiple aspects such as transportation safety, electrical safety, food safety and child sexual abuse prevention.

As of 31 December 2014, the Group had made cumulative charitable donations of more than RMB245 million.

# Map


Harbin
Shenyang
Baotou
Beijing
Tianjin
Datong
Taiyuan
Xian
Wuxi
Chengdu
Nanjing
Shanghai
Hangzhou
Chongqing
Changsha
Guiyang
Fuzhou
Nanning
Meizhou
Huizhou
Foshan
Guangzhou
Zhuhai
Hainan
Johor Bahru
Brisbane
Melbourne

The Group's net profit for the year decreased by 15% to RMB6.506 billion, from RMB7.646 billion the previous year. This decrease in the overall Group results mainly reflected the decrease in net profit of the core business of property development to RMB5.449 billion on a 6% decrease in turnover from sale of properties. For the business segments of property investment and hotel operations, both had improved. Rental income increased 14% and brought net profit for the property investment segment to RMB347 million not taking into account the fair value gains from investment properties of RMB1.638 billion (2013: RMB2.436 billion). The hotel operations recorded a reduced net loss of RMB140 million as compared to net loss of RMB249 million the prior year. The hotels of the Group continued to perform well and there were no pre-operating expenditures of new hotel in the year that negatively impacted on the financial results of the segment. The Group's other business segments (including construction services and the soccer team) recorded a net loss of RMB379 million as compared with a net loss of RMB338 million the previous year.

## CONSOLIDATED INCOME STATEMENT

**2014**

| | Note | **Property development (RMB'000)** | **Property investment (RMB'000)** | **Hotel operation (RMB'000)** | **All other segments (RMB'000)** | **Group (RMB'000)** |
|---|---|---|---|---|---|---|
| Turnover | 1 | **31,650,997** | **827,263** | **1,108,603** | **1,118,547** | **34,705,410** |
| Cost of sales | 2 | **(19,912,903)** | **(167,427)** | **(847,051)** | **(1,464,050)** | **(22,391,431)** |
| Gross profit | 3 | **11,738,094** | **659,836** | **261,552** | **(345,503)** | **12,313,979** |
| Other gains – net | 4 | **270,665** | **1,638,174** | **12,517** | **3,742** | **1,925,098** |
| Selling and administrative expenses | 5 | **(2,824,362)** | **(41,096)** | **(225,755)** | **(25,347)** | **(3,116,560)** |
| Other operating (expenses)/income | | **103,830** | **–** | **(3,286)** | **4,662** | **105,206** |
| Operating profit/(loss) | | **9,288,227** | **2,256,914** | **45,028** | **(362,446)** | **11,227,723** |
| Finance costs | 7 | **(697,934)** | **(155,492)** | **(231,187)** | **(131,308)** | **(1,215,921)** |
| Share of results of joint ventures | | **169,789** | **–** | **–** | **–** | **169,789** |
| Share of results of associates | 6 | **(24,705)** | **–** | **–** | **(500)** | **(25,205)** |
| Profit/(loss) before income tax | | **8,735,377** | **2,101,422** | **(186,159)** | **(494,254)** | **10,156,386** |
| Income tax expense | 8 | **(3,285,959)** | **(525,356)** | **46,540** | **114,778** | **(3,649,997)** |
| Profit/(loss) for the year | 9 | **5,449,418** | **1,576,066** | **(139,619)** | **(379,476)** | **6,506,389** |

2013

| | Note | Property development (RMB'000) | Property investment (RMB'000) | Hotel operation (RMB'000) | All other segments (RMB'000) | Group (RMB'000) |
|---|---|---|---|---|---|---|
| Turnover | 1 | 33,651,248 | 727,245 | 900,594 | 992,197 | 36,271,284 |
| Cost of sales | 2 | (19,943,390) | (137,958) | (735,935) | (1,219,015) | (22,036,298) |
| Gross profit | 3 | 13,707,858 | 589,287 | 164,659 | (226,818) | 14,234,986 |
| Other gains – net | 4 | 203,886 | 2,436,203 | 1,968 | 2,363 | 2,644,420 |
| Selling and administrative expenses | 5 | (2,143,463) | (35,017) | (233,822) | (52,418) | (2,464,720) |
| Other operating (expenses)/income | | 84,024 | – | 60 | 449 | 84,533 |
| Operating profit/(loss) | | 11,852,305 | 2,990,473 | (67,135) | (276,424) | 14,499,219 |
| Finance costs | 7 | (1,362,517) | (175,613) | (264,499) | (131,113) | (1,933,742) |
| Share of results of joint ventures | | 357,253 | – | – | – | 357,253 |
| Share of results of associates | 6 | (51,171) | – | – | 270 | (50,901) |
| Profit/(loss) before income tax | | 10,795,870 | 2,814,860 | (331,634) | (407,267) | 12,871,829 |
| Income tax expense | 8 | (4,674,980) | (703,715) | 82,909 | 69,605 | (5,226,181) |
| Profit/(loss) for the year | 9 | 6,120,890 | 2,111,145 | (248,725) | (337,662) | 7,645,648 |

The Group carries out its core business of property development in 16 cities. The following comments, with the exception of #7 (on financing costs) and #9 (on net profits), relate only to the results from sales of properties:

1. Turnover decreased by 6% to RMB31.65 billion, from RMB33.65 billion in the previous year. This turnover was based on delivery of 3.162 million sq.m. of sale properties in the year which was approximately 16% more than the 2.733 million sq.m. delivered the previous year. Overall average selling price decreased 19% to RMB10,010 per sq.m. from RMB12,310 per sq.m. resulting in the decrease in turnover. The lower overall average selling price for the year was to a large extent the effect of a sale mix that differed from last year's mainly in the absence of commercial properties with higher selling price (mainly Guangzhou's R&F Yingtong Plaza and R&F Yingkai Plaza which together accounted for 24% of the overall turnover at average selling price of RMB41,370 per sq.m. in 2013) and the increased weighting of rigid demand properties, notably Beijing R&F New Town and Taiyuan's R&F Peach Garden with lower average selling price of RMB6,600 per sq.m. These two projects had increased their combined share of total turnover to 15% from 2% in 2013. Change in the general price level of properties, on the other hand, had less impact on the decrease in overall average selling price. Six out of seven significant projects (with turnover not less than RMB1 billion) having comparable selling prices in prior year registered increase in average selling price. These projects which accounted for 35% of total turnover included R&F Prosperous Palace in Beijing, R&F Jinmen Lake in Tianjin, R&F Bay Shore in Hainan and R&F City in Chongqing, Taiyuan and Nanjing and had average selling price increased between 4% to 26% from the previous year. The only significant projects with selling price decrease was Beijing R&F New Town which accounted for 12% of total turnover and had a decrease of 6% in average selling price. For turnover by city, Beijing took over Guangzhou with the highest turnover of RMB8.688 billion (2013: RMB6.614 billion) and followed by Guangzhou and Tianjin each accounting for 27%, 16% and 11% (2013: 20%, 34% and 13%) of total turnover respectively. Turnover in Beijing increased 31% as a result of large scale delivery for residential projects including Xianghe R&F New Town, R&F Prosperous Palace and R&F Shangyue Court totaling 1,019,200 sq.m., a 113% increase over the prior year. Turnover of Guangzhou for the year dropped 57% but if only turnover from residential projects is compared, there was a 6% increase. Turnover of Tianjin maintained satisfactorily at RMB3.581 billion supported by its flagship project, R&F Jinmen Lake, which turnover further increased to RMB3.054 billion (2013: RMB2.262 billion) delivering 175,100 sq.m. (2013: 135,300 sq.m.) at average selling price of RMB17,440 per sq.m. (2013: RMB16,710 per sq.m.). Total turnover of Tianjin however had decreased by RMB952 million from RMB4.533 billion for the previous year due to RMB1.671 billion in turnover from the Group's only commercial project outside Guangzhou, R&F Center in Tianjin was included in last year as compared to only RMB160 million in the current year. Of the cities which had turnover in the year aside from the three cities mentioned above, Taiyuan and Nanjing were the cities that saw modestly strong gain in turnover; in Taiyuan's case it was mainly due to delivery of the new project, R&F Peach Garden, and in Nanjing's case, it was the increased delivery of its sole project R&F City. Four cities had first delivery of properties in the year, they were Wuxi, Hangzhou, Harbin and Shenyang, which together accounted for 12% of total turnover.

The following table gives the breakdown of saleable area, turnover, and percentage attributable to the Group for the sale of properties during the year:

| Project | Approximate saleable area sold (sq.m.) | Amount of turnover (RMB'000) | Percentage attributable to the Group (%) |
|---|---|---|---|
| **Guangzhou** | | | |
| R&F Tianxi Garden | 57,712 | 1,607,164 | 100% |
| R&F Tianyu Plaza | 48,503 | 1,256,756 | 100% |
| R&F Spring World | 100,225 | 740,496 | 100% |
| R&F Jingang City | 71,200 | 550,972 | 100% |
| R&F Nansha Prosperous Palace | 41,745 | 461,458 | 100% |
| R&F Tangning Garden | 6,142 | 221,451 | 100% |
| R&F Yingtong Plaza | 3,040 | 62,300 | 100% |
| R&F Shengyue Court | 904 | 27,821 | 100% |
| R&F Junhu Palace | 844 | 18,746 | 100% |
| Others | 3,592 | 8,016 | 100% |
| | **333,907** | **4,955,180** | |
| **Beijing** | | | |
| R&F New Town | 536,100 | 3,711,666 | 100% |
| R&F Danish Town Phase II | 154,759 | 2,153,198 | 100% |
| R&F Shangyue Court | 118,994 | 1,654,178 | 100% |
| R&F Huilan Meiju | 171,677 | 855,294 | 100% |
| R&F Danish Town | 4,182 | 100,180 | 100% |
| Beijing R&F American Dream Island | 16,032 | 93,978 | 100% |
| Beijing R&F City | 5,867 | 37,846 | 100% |
| R&F Festival City | 5,585 | 29,956 | 100% |
| R&F No. 10 | 2,902 | 21,372 | 100% |
| R&F Peach Garden | 1,922 | 19,506 | 100% |
| Others | 1,200 | 10,886 | 100% |
| | **1,019,220** | **8,688,060** | |
| **Tianjin** | | | |
| Tianjin R&F Jinmen Lake | 174,971 | 3,052,936 | 100% |
| Tianjin R&F New Town | 29,929 | 344,979 | 100% |
| R&F Center | 8,236 | 159,823 | 100% |
| Tianjin R&F City | 960 | 22,821 | 100% |
| | **214,096** | **3,580,559** | |
| **Chongqing** | | | |
| Chongqing R&F City | 285,976 | 1,613,498 | 100% |
| R&F Modern Plaza | 12,514 | 68,763 | 100% |
| R&F Ocean Plaza | 69 | 7,868 | 100% |
| | **298,559** | **1,690,129** | |
| **Xian** | | | |
| Xian R&F City | 51,230 | 514,178 | 100% |
| | **51,230** | **514,178** | |
| **Huizhou** | | | |
| R&F Longmen Project | 118,629 | 842,336 | 100% |
| R&F Bay Shore | 45,286 | 332,057 | 100% |
| R&F Modern Plaza | 44,787 | 197,398 | 100% |
| R&F Ligang Center | 110 | 640 | 100% |
| | **208,812** | **1,372,431** | |
| **Hainan** | | | |
| R&F Bay Shore | 46,206 | 1,028,884 | 100% |
| R&F Mangrove Bay | 56,657 | 538,617 | 100% |
| R&F Yingxi Valley | 12,449 | 200,784 | 100% |
| | **115,312** | **1,768,285** | |

| Project | Approximate saleable area sold (sq.m.) | Amount of turnover (RMB'000) | Percentage attributable to the Group (%) |
|---|---|---|---|
| **Shanghai** | | | |
| R&F Bay Shore | 55,139 | 562,380 | 100% |
| | **55,139** | **562,380** | |
| **Taiyuan** | | | |
| Taiyuan R&F City | 190,771 | 1,407,130 | 100% |
| R&F Peach Garden | 162,016 | 896,544 | 100% |
| R&F Prosperous Palace | 11,163 | 109,452 | 100% |
| R&F Modern Plaza | 376 | 5,192 | 100% |
| | **364,326** | **2,418,318** | |
| **Chengdu** | | | |
| R&F Peach Garden | 87,645 | 193,918 | 100% |
| R&F Villa | 4,633 | 66,033 | 100% |
| | **92,278** | **259,951** | |
| **Nanjing** | | | |
| Nanjing R&F City | 114,130 | 1,719,266 | 100% |
| | **114,130** | **1,719,266** | |
| **Datong** | | | |
| Datong R&F City | 73,946 | 370,989 | 100% |
| | **73,946** | **370,989** | |
| **Wuxi** | | | |
| R&F City No.10 | 9,230 | 145,616 | 100% |
| | **9,230** | **145,616** | |
| **Hangzhou** | | | |
| R&F Xixiyue Court | 70,921 | 1,202,683 | 100% |
| | **70,921** | **1,202,683** | |
| **Harbin** | | | |
| Jiangwan City | 135,796 | 2,361,128 | 100% |
| | **135,796** | **2,361,128** | |
| **Shenyang** | | | |
| R&F Royal Villa | 4,968 | 41,844 | 100% |
| | **4,968** | **41,844** | |
| **Total** | **3,161,870** | **31,650,997** | |

2. Overall cost of goods sold and costs of land and construction per sq.m. decreased 14% and 17% respectively to RMB6,300/sq.m. and RMB5,220/sq.m. (2013: RMB7,300/sq.m. and RMB6,270/sq.m.) with the change in sale mix. The range for land and construction cost per sq.m. of individual project narrowed to range from RMB13,900 down to RMB2,500 with the high end of the range reduced from RMB15,200 absence commercial projects in Guangzhou CBD that typically carried higher land and construction costs. In the low end of the range were rigid demand type housing in tier 2 or 3 cities e.g. R&F City in Chongqing and Taiyuan. The top project in the year Beijing's R&F New Town at Xianghe also carried low land and construction cost per sq.m. of RMB3,600 and due to its weight in the total turnover, had significant effect on overall per sq.m. land and construction cost. The proportion of each of the four main components of cost of goods sold: land cost, construction costs, business tax and capitalized interest, varied slightly from last year mainly as a result of significantly increased capitalized interest included in the cost of goods sold. In the year under review, land and construction costs accounted for 83% (2013: 86%), business tax 9% (2013: 10%) and capitalized interest 8% (2013: 4%). Capitalized interest included in the cost of sales and also as a percentage of turnover from sale of properties increased to RMB1.540 billion and 4.9% from 2013's RMB797 million and 2.4% respectively. The cost of goods sold also included RMB1.863 billion (2013: RMB1.999 billion) in business tax.

3. Gross margin decreased by 4% to 37% from 41% of the prior year given the average selling price of turnover decrease of 19% which was only partially offset by 14% decrease in cost of goods sold per sq.m. Analysing based on the gross margin by city, gross margin of the key cities including Beijing and Guangzhou were stable despite a changing sale mix: 38% and 50% respectively for Beijing and Guangzhou as compared to 37% and 50% the prior year. The gross margin were quite even across the new cities of Wuxi, Hangzhou, Harbin and Shenyang delivering properties for the first time; their gross margin average at 35%. This pattern indicated the sustainability of the current overall gross margin going forward.

4. Other gains mainly arose from interest income.

5. Selling and administrative expenses as a percentage of turnover increased to 8.9% from 6.4% in the previous year due to selling and administration expenses for the year increased RMB681 million in amount or 32%. Broken down into its two components, selling expenses increased by RMB276 million to RMB836 million and administrative expenses increased by RMB405 million to RMB1.988 billion. Selling expenses increased mainly due to the number of sales projects in the year further increased to 58 from 55 in the year. The main component of administrative expenses was personnel costs which increased by RMB211 million for reasons including, among others, that the Group now operates in 24 cities including 3 oversea cities and further strengthening of functional departments.

6. The share of result of associated companies was mainly derived from the Group's 20% share in the Guangzhou Asian Games City project. The share of results of joint ventures were mainly 33.34% in the Guangzhou Liedecun project, 25% interest in Tianjin Jinnan New Town project and 50% in Hines Shanghai New Jiangwan Development Co. Ltd. These four projects mentioned had a combined turnover in the year of RMB5.565 billion which was approximately 493 million lower than previous year and in turn caused the Group's share of results to decreased by RMB162 million.

7. Finance costs being interest expenses incurred in the year after deduction of amounts capitalized to development costs, decreased by 37% to RMB1.216 billion (2013: RMB1.934 billion) as a result of more of the interest incurred in the year were eligible for capitalization. Total interest incurred in the year actually increased from RMB3.886 billion in the prior year to RMB5.801 billion with outstanding loans at the year-end of approximately RMB67.7 billion (2013: RMB61.4 billion) and an average interest rate of 8.2%. Aggregate interest costs included in this year's results amounted to RMB2.756 billion (2013: RMB2.731 billion) counting also capitalized interest released to cost of goods sold of RMB1.540 billion (2013: RMB797 million).

8. Land appreciation tax (LAT) of RMB1.283 billion (2013: RMB2.348 billion) and enterprise income tax of RMB2.003 billion brought the Group's total income tax expenses for the year to RMB3.286 billion. LAT reduced significantly not only in amount but as a percentage of turnover as well which decreased to 4.1% from 7.0% in 2013. This decrease was due to the fact that there were fewer projects with especially high gross margin attracting LAT at high tax rate and more gross profit from rigid demand type projects exempted from LAT. The effective enterprise income tax rate stood at 26.9% (2013: 27.5%), deviating from the standard rate by 1.9% because of permanent differences limiting the tax deductible amount.

9. Overall, the Group's net profit margin for the year was 18.7%, as compared to 21.1% in the previous year. If fair value gains from investment properties are excluded, this year's net profit margin would be 15.2%, 0.8% lower than the 16.0% of 2013 reflecting the change in gross margin from property development.

## CONSOLIDATED BALANCE SHEET

| | Note | **2014 (RMB'000)** | 2013 (RMB'000) | Changes (%) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Land use rights | 1 | **1,198,045** | 1,098,345 | 9% |
| Property, plant and equipment | 2 | **7,495,641** | 6,566,671 | 14% |
| Investment properties | 3 | **18,047,632** | 15,888,187 | 14% |
| Intangible assets | 4 | **977,958** | 897,836 | 9% |
| Interests in joint ventures | 5 | **4,617,519** | 4,258,931 | 8% |
| Interests in associates | 6 | **86,213** | 122,600 | -30% |
| Deferred income tax assets | 7 | **2,927,764** | 3,217,888 | -9% |
| Available-for-sale financial assets | 8 | **535,477** | 281,400 | 90% |
| Trade and other receivables and prepayments | 9 | **3,772,884** | 1,450,024 | 160% |
| **Current assets** | | | | |
| Properties under development | 10 | **81,327,691** | 56,111,099 | 45% |
| Completed properties held for sale | 11 | **17,222,116** | 10,992,876 | 57% |
| Inventories | | **358,831** | 297,920 | 20% |
| Trade and other receivables and prepayments | 9 | **10,890,728** | 13,162,768 | -17% |
| Tax prepayments | | **2,551,852** | 1,656,242 | 54% |
| Restricted cash | 12 | **6,339,497** | 6,622,173 | -4% |
| Cash and cash equivalents | 12 | **13,490,425** | 17,722,162 | -24% |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 13 | **45,553,602** | 43,352,514 | 5% |
| Accruals and other payables | 14 | **171,222** | 596,257 | -71% |
| Deferred income tax liabilities | | **3,278,908** | 3,589,702 | -9% |
| **Current liabilities** | | | | |
| Accruals and other payables | 14 | **19,270,956** | 17,781,734 | 8% |
| Deposits received on sale of properties | 15 | **19,225,725** | 13,777,892 | 40% |
| Current income tax liabilities | 16 | **10,089,230** | 9,671,667 | 4% |
| Short-term borrowings | 13 | **3,085,000** | 2,549,535 | 21% |
| Current portion of long-term borrowings | 13 | **19,020,068** | 15,545,778 | 22% |
| **TOTAL EQUITY** | | **52,145,562** | 33,482,043 | 56% |
| Perpetual capital instruments | | **15,648,416** | 1,000,000 | 1,465% |
| Non-controlling interests | | **531,785** | 375,207 | 42% |

1. This related to self-use assets and hotels. Increase represented mainly by the new additions of the land cost of self-use assets and hotels in Hainan, Tianjin and Huizhou.

2. The increase being the additional costs in the year of which main items were the further construction costs of self-use assets and hotels in Hainan, Guangzhou, Taiyuan, Tianjin and Huizhou.

3. The increase represented by mainly the fair value gain of two existing properties in Guangzhou and Beijing and one new addition investment property under construction in Guangzhou.

4. The increase was mainly related to the acquisition of soccer team members.

5. Increase mainly being the Group's share of profits of the joint venture projects at Yangpu, Shanghai and new joint venture investment in Nanning, Guangxi.

6. Decrease mainly being the Group's share of loss of the Asian Game City joint venture for the year.

7. Decrease mainly due to the offset of deferred income tax assets and deferred income tax liabilities.

8. The change was increase in the fair value of 2.53% interest in Guangzhou Securities Co., Ltd.

9. Trade receivables maintained at a controllable level of less than 10% of the contract sales for the year and there were no material overdue debts under efficient credit control.

10. The increase was mainly coming from six new projects in Malaysia, Beijing, Wuxi, Shenyang and Chongqing and six ongoing projects in Guangzhou, Shanghai, Harbin, Meizhou, Nanjing and Hainan; there were 66 projects and 14.235 million sq.m. GFA under development at 31 December 2014 as compare to 48 projects and 10.042 million sq.m. GFA last year.

11. The increase was mainly coming from the completion of various projects in Huizhou, Hainan, Chongqing, Shenyang, Tianjing, Nanjing, Beijing and Shanghai. Balance represented approximately 2,610,000 sq.m. GFA. In terms of value, Guangzhou, Beijing, Shanghai, Nanjing, Tianjing, Huizhou, Hainan and Chongqing accounted for over 50% of the total.

12. Cash maintained at a level adequate for the Group's operation and further development.

13. Refer to "Financial resources, liquidity and liabilities".

14. Construction payables representing approximately 54% of the total and increased by RMB1,747 million.

15. Increase due to difference in the rate of delivery of completed properties and the rate of cash received from sale of properties during the year.

16. The increase in income tax liabilities was due to the increase in accrued enterprise income tax.

## CASH FLOW

| | Note | **2014 (RMB'000)** | 2013 (RMB'000) |
|---|---|---|---|
| Net cash (used in)/generated from operating activities | 1 | **(22,064,801)** | (11,862,447) |
| Net cash generated from/(used in) investing activities | 2 | **(2,129,907)** | (894,500) |
| Net cash generated from/(used in) financing activities | 3 | **19,933,701** | 23,546,498 |
| Net increase/(decrease) in cash | | **(4,261,007)** | 10,789,551 |
| Exchange gains/(losses) on cash | | **29,270** | (93,481) |
| Cash at 1 January | | **17,722,162** | 7,026,092 |
| Cash at 31 December | | **13,490,425** | 17,722,162 |

1. Contracted sales generated RMB37.2 billion in pre-sale proceeds while the cash used in construction increased significantly.

2. Mainly the cash used in constructions of hotels and advanced to joint ventures.

3. Mainly being net proceeds from issuance of perpetual capital instruments and borrowings increased significantly while dividends (2013 final) paid in the year of RMB1.652 billion slightly dropped.

## FINANCIAL RESOURCES, LIQUIDITY AND LIABILITIES

At 31 December 2014, the Group's cash amounted to RMB19.83 billion and with total borrowings at RMB67.66 billion. Net debt to total equity ratio was at 92%. The total borrowings were made up of financing from sources which included 1) bank loans, 2) offshore USD senior notes and 3) trust loans and others each accounted for 51%, 18% and 31% respectively. The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB20.1 billion (2013: RMB19.3 billion) was unutilised. Such credit facilities indicate that the banks are prepared to lend to the Group up to the limit of the facilities when certain conditions are met such as the production of suitable projects and specified documents e.g. construction permits.

The Group has also available to it perpetual capital instruments which increased by RMB14.5 billion in the year.

## DEBT PROFILE

| | Total | Due within 1 year | 2 years | 3-5 years | over 5 years | Interest | |
|---|---|---|---|---|---|---|---|
| | (RMB million) | | | | | | |
| Long-term bank borrowings | 34,162 | 6,966 | 11,383 | 11,537 | 4,276 | Floating | RMB28,834M secured |
| Senior notes | 11,988 | – | 2,338 | 6,024 | 3,626 | Fixed | |
| Other borrowings | 18,319 | 12,008 | 3,968 | 2,343 | – | Floating | RMB16,269M secured |
| Finance lease liabilities | 105 | 46 | 47 | 12 | – | Floating | RMB105M secured |
| Short-term borrowings | 3,085 | 3,085 | – | – | – | Floating | |
| | 67,659 | 22,105 | 17,736 | 19,916 | 7,902 | | |

The maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 year accounted for 33% of total debts. Bank loans repaid in the year amounted to RMB15.19 billion while new bank loans of RMB18.59 billion were procured. The effective interest rate of the total bank loan portfolio at 31 December 2014 was 6.76% (2013: 6.66%). Exchange rate exposure was not significant as non-RMB borrowings accounted for approximately 17.7% of total borrowings. As for interest rate, RMB bank loans were at normally stable floating interest rates benchmarked to rates published by the People's Bank of China. The fixed rate offshore bonds further reduced interest rate exposure and therefore no interest rate hedging arrangements had been put in place.

### Charge on assets

As at 31 December 2014, assets with total carrying values of RMB36.39 billion were pledged to secure bank loans and other borrowings amounting to RMB45.10 billion (at 31 December 2013: RMB41.29 billion).

### Contingent liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties and joint liability counter-guarantees for certain borrowings granted to the Group's jointly controlled entities and an associate for project development purpose. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificates for the properties concerned. As at 31 December 2014, such guarantees totaled RMB22.33 billion, increased by 16.4% from RMB19.18 billion as at 31 December 2013.

## MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisition or disposal of subsidiaries or associated companies in the year.

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The practices adopted by the Company place a focus on maintaining a high-quality board, effective internal controls, a high level of transparency, and full accountability to shareholders. Throughout the year the Company complied with all relevant laws and the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for from 28 February 2014 to 30 May 2014, the number of independent non-executive directors fell below the minimum number required by the Code due to the resignation as an independent non-executive director of Mr. Dai Feng on 28 February 2014.

## THE BOARD

The board of directors (the "Board") is charged with providing overall leadership for and effective control over the Company in a way that maximizes financial performance and shareholder value. The Board formulates business policies and strategies for the Group, including dividend policy and risk management strategies. It is also responsible for implementing internal controls and monitoring their effectiveness. The day-to-day execution of the Board's policies and strategies is delegated to the Company's executive directors and a team of designated senior managers.

The Board is well-diversified in term of gender, industry experience, professional expertise and education background. At 31 December 2014 the Board consisted of nine directors. This number was made up of four executive directors: Mr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and Chief Executive Officer, Mr. Zhou Yaonan, and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin and Ms. Li Helen; and three independent non-executive directors, Mr. Huang Kaiwen, Mr. Lai Ming, Joseph and Mr. Zheng Ercheng (appointed on 30 May 2014) who replaced Mr. Dai Feng (resigned on 28 February 2014). Biographical details of the directors and their relationships, if any, are set out on pages 53 to 56 of this annual report.

All directors, including non-executive directors and independent non-executive directors, have devoted sufficient time and effort to the business affairs of the Company. The Board believes that the ratio of executive directors to non-executive directors is reasonable, and provides checks and balances that are sufficient to safeguard the interests of shareholders and of the Group. The Board also believes that the independent judgments offered by non-executive directors and independent non-executive directors on issues relating to strategy, performance, conflicts of interest and management processes are valuable for protecting the interests of the Company's shareholders.

All directors of the Company have access to timely information about the Group's business and are able to make further enquires whenever necessary. They also have unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with board papers and related materials. The Board has also agreed that any director may seek independent professional advice on issues related to the Group's business at the Company's expense.

### Chairman and Chief Executive Officer

The Chairman, Mr. Li Sze Lim, provides leadership and oversees the Board's workings. He is responsible for the Board's effectiveness by ensuring that all key issues are discussed within the Board in a timely and informed manner, and that the Board adopts good corporate governance practices.

Mr. Zhang Li, the Co-chairman, is the Chief Executive Officer of the Company. He is responsible for the execution of all business policies, strategies, objectives and plans adopted by the Board.

The role of the Chief Executive Officer is separate from that of the Chairman.

### Independent Non-executive Directors

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence. The nomination committee of the Board has also conducted an annual review of the independence of all independent non-executive directors of the Company. The Board is of the view that all the independent non-executive directors satisfied the requirement of independence as set out in Rule 3.13 of the Listing Rules.

The Company has maintained on its website and that of The Stock Exchange of Hong Kong Limited the list of its directors identifying their roles and functions.

## BOARD MEETINGS

The Board held four meetings during the year under review, and the attendance records of the directors are set out below:

| Directors | Meetings attended/Total |
|---|---|
| **Executive Directors** | |
| Li Sze Lim | 4/4 |
| Zhang Li | 4/4 |
| Zhou Yaonan | 4/4 |
| Lu Jing | 4/4 |
| **Non-executive Directors** | |
| Zhang Lin | 4/4 |
| Li Helen | 4/4 |
| **Independent Non-executive Directors** | |
| Huang Kaiwen | 4/4 |
| Dai Feng (resigned on 28 February 2014) | N/A |
| Lai Ming Joseph | 4/4 |
| Zheng Ercheng (appointed on 30 May 2014) | 2/4 |

During these meetings, the directors discussed matters relating to business policies and strategies, corporate governance, and financial and internal control systems. They reviewed the interim and final business results and other relevant matters. All directors are urged to participate in these Board meetings in person, but those who are unable to attend in person can also participate via electronic means. According to the articles of association of the Company ("Articles of Association"), directors participating by electronic means are deemed to have physically attended the board meeting.

According to the Articles of Association, notice and agenda for Board meetings are given to all directors at least 10 days prior to the date of a meeting. All directors are given the opportunity to include any matter they would like discussed in the agenda.

The company secretary assists the Chairman in preparing the agenda for the Board and Board Committees' meeting, to ensures that all applicable rules and regulations are followed. He also prepares detailed minutes of each meeting. After the meeting, the draft minutes are circulated to all or related directors for comment as soon as practicable. All Board members are given a copy of the final approved minutes.

Should a matter being considered involve a potential conflict of interest for a director, the director concerned will abstain from voting. Independent non-executive directors with no conflicts of interest will be present at meetings dealing with such issues.

## BOARD COMMITTEES

The Company currently maintains three board committees with defined terms of reference which are posted on the websites of the Company and the Stock Exchange. The Board's committees adopt the practices used in the general Board meetings.

### Audit Committee

The audit committee was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee is made up of three members: a non-executive director, Ms. Li Helen, and two independent non-executive directors, Mr. Lai Ming, Joseph and Mr. Zheng Ercheng (appointed on 30 May 2014) who replaced Mr. Dai Feng (resigned on 28 February 2014). The chairman of the committee is Mr. Lai Ming, Joseph, who has professional accounting qualifications and expertise in financial management.

The Board is responsible for presenting a clear and balanced assessment of the Group's performance, results and prospects. It is also responsible for preparing financial statements of accounts that give a true and fair view of the Company's finances. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control and financial reporting matters of the Group. It is also tasked with coordinating with external auditors in respect of the annual audit on matters such as the scope of the audit and any issues arising from it; make recommendations to the Board on appointing or removing external auditors; and consider their remuneration and terms of engagement.

The audit committee held two meetings during the year. Following Board practice, minutes of these meetings were circulated to all members for comment, approval and record as soon as practicable after each meeting. There was no disagreement between the Board and the audit committee regarding the selection and appointment of external auditors. The audit committee has reviewed the annual results for the year ended 31 December 2014 and discussed with the management and the Company's auditors the accounting policies and practices adopted, internal control and financial reporting matters of the year.

The attendance records of individual committee members are set out as below:

| Committee members | Meetings attended/Total |
|---|---|
| Lai Ming Joseph | 2/2 |
| Li Helen | 2/2 |
| Dai Feng (resigned on 28 February 2014) | N/A |
| Zheng Ercheng (appointed on 30 May 2014) | 1/2 |

## Remuneration Committee

The remuneration committee was established with written terms of reference. The committee comprises three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Huang Kaiwen and Mr. Zheng Ercheng (appointed on 30 May 2014) who replaced Mr. Dai Feng (resigned on 28 February 2014). Mr. Zheng Ercheng is chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board policy on remuneration-related matters including, among others, bonus structures and provident funds. The Company's remuneration policy is designed to ensure that the remuneration offered to employees, including executive directors and senior management, is based on factors such as levels of skill, knowledge, responsibility and involvement in the Company's affairs. The remuneration of executive directors is also linked to the Company's business performance and profitability in the context of the prevailing market conditions. The committee determines the remuneration packages of executive directors and members of senior management. Individual directors and senior management are not involved in determining their own levels of remuneration.

During the year the remuneration committee held two meetings, in which it reviewed the Company's remuneration policies, its terms of service contracts, and the performance of executive directors and senior managers. It reported that the compensation payable to each director and senior manager was in accordance with contractual terms, and that such compensation was fair and not excessive.

The attendance records of individual committee members are set out below:

| Committee members | Meetings attended/Total |
|---|---|
| Dai Feng (resigned on 28 February 2014) | N/A |
| Zheng Ercheng (appointed on 30 May 2014) | 0/2 |
| Li Sze Lim | 2/2 |
| Huang Kaiwen | 2/2 |

Details of emoluments paid to the directors for the year are set out in the notes to the financial statement on page 140.

## Nomination Committee

The nomination committee has been established with written terms of reference. The committee comprised three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Lai Ming, Joseph and Mr. Zheng Ercheng (appointed on 30 May 2014) who replaced Mr. Dai Feng (resigned on 28 February 2014). Mr. Li Sze Lim is chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implements the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board, identify and nominate candidates to fill causal vacancies of directors and make recommendation to the Board in respect of succession planning. The full terms of reference of the nomination committee are available on the Company's website and the Stock Exchange.

During the year the nomination committee held two meetings, the attendance records of individual committee members are set out below:

| Committee members | Meetings attended/Total |
|---|---|
| Li Sze Lim | 2/2 |
| Lai Ming Joseph | 2/2 |
| Dai Feng (resigned on 28 February 2014) | N/A |
| Zheng Ercheng (appointed on 30 May 2014) | 0/2 |

During the year under review, the nomination committee had reviewed the structure, size and composition of the Board of Directors of the Company and considered the retirement and re-appointment of the directors in the Company's forthcoming annual general meeting.

## CORPORATE GOVERNANCE FUNCTIONS

In the year, the board had:

(a) developed and reviewed the Company's policies and practices on corporate governance;
(b) reviewed and monitored the training and continuous professional development of directors and senior management;
(c) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
(d) reviewed and monitored the code of conduct applicable to employees and directors; and
(e) reviewed the Company's compliance with the code and disclosure in the Corporate Governance Report.

## DIRECTORS' TRAINING

The Company would provide a comprehensive induction package to each newly appointed director to ensure that he/she has a proper understanding of the Group's operations and is sufficiently aware of his/her responsibilities and obligations under the relevant statues, laws, rules and regulations.

The directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary provides the directors with updates on latest changes and development in the Listing Rules, corporate governance practices and others relevant legal and regulatory requirements from time to time.

During the year, directors are provided with updates on the Company's performance and in-house training had been arranged. A summary of training of directors is as follow:

| | Type of Continuous Professional Development | |
|---|---|---|
| **Name of Directors** | **Training on corporate governance, regulatory development and other relevant topics** | **Attending corporate events or visits** |
| **Executive Directors** | | |
| Li Sze Lim | √ | √ |
| Zhang Li | √ | √ |
| Zhou Yaonan | √ | √ |
| Lu Jing | √ | √ |
| **Non-executive Directors** | | |
| Zhang Lin | √ | √ |
| Li Helen | √ | √ |
| **Independent Non-executive Directors** | | |
| Huang Kaiwen | √ | √ |
| Lai Ming Joseph | √ | √ |
| Dai Feng (resigned on 28 February 2014) | N/A | N/A |
| Zheng Ercheng (appointed on 30 May 2014) | √ | √ |

## SUPERVISORY COMMITTEE

The supervisory committee of the Company consists of three members, including two supervisors who represent shareholders, Ms. Liang Yingmei, Mr. Zheng Ercheng (resigned on 30 May 2014), and Mr. Zhao Xianglin (appointed on 16 September 2014), and one who represents employees, Mr. Chen Liangnuan. The supervisors effectively performed their supervisory duties relating to the Company's operations.

## SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code"), laid out in Appendix 10 to the Listing Rules, as the code of conduct for directors in any dealings in the Company's securities. The Company has made specific enquiries of each director, each of whom has confirmed their compliance with the Model Code during the financial year ended 31 December 2014.

## AUDITOR'S REMUNERATION

PricewaterhouseCoopers is the Company's external auditor. During the year the firm had not been engaged to perform any other work that could have conflicted with its role as auditor of the Company or otherwise compromised its independence.

The audit committee has recommended to the Board, and the Board has accordingly agreed, to propose the reappointment of PricewaterhouseCoopers as the external auditors of the Group until the date of the next annual general meeting, pending approval by shareholders at the forthcoming 2014 annual general meeting. During the year, the total remuneration paid in respect of audit services and non-audit services was RMB5.7 million and RMB1.5 million respectively.

## INTERNAL CONTROLS

The Board is responsible for maintaining a system of effective internal controls to protect the Group's assets and its shareholders' interests. The Company's internal controls are embedded within its various operational departments. The Group's system of internal controls includes a well-established corporate structure and an organization with clearly defined lines of responsibility and authority, which are set out in writing in an operation manual where appropriate. Each department is responsible for its daily operations, and is required to implement and monitor the strategies and policies adopted by the Board. Each department has a responsibility to effectively use Company resources so as to avoid misappropriation or damage to assets, and to prevent errors and fraud. The Board has set up a Monitoring Department to assist it to closely monitor the implementation of the Company's internal controls and risk management systems on an on-going basis and assessing their effectiveness. The Monitoring Department has not identified any material errors, frauds or non-compliance of the Group's policies and procedures based on its work during the year.

The Board also takes an active role overseeing the Group's informatization process including the continuous improvement of various systems including enterprise resources planning, office automation, business process management, business intelligence and customer relationship management. Based on a strong foundation of highly effective control over key corporate resources such as capital and land, the Group currently focuses on further enhancing the operational control of other important resources (e.g. materials, manpower, customers and suppliers) and the further development of business process flow management and control platform for the control of project progress, costs, sales and finance. Through these efforts, management will be provided with timely, accurate, comprehensive and valuable data for decision making and enhancing the overall control environment of the Group.

The Board believes that the existing system of internal controls is adequate.

## COMPANY SECRETARY

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

## SHAREHOLDERS' RIGHTS

The proceedings of the annual general meeting are reviewed periodically to ensure that shareholders' rights are maintained. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 30 days prior to the date of the meeting.

Vote of shareholders at general meeting will be taken by poll in accordance with the Listing Rules, unless otherwise required and permitted. Detailed procedures for conducting a poll will be explained to the shareholders at the inception of general meeting to ensure that shareholders are familiar with such voting procedures. Separate resolution will be proposed by the chairman of general meeting in respect of each substantial issue. The poll results will be posted on the websites of the Company and the Stock Exchange on the same business day of the general meeting.

Pursuant to the Articles of Association, a special general meeting and class meeting can be convened on the requisition of any two or more members holding in aggregate ten percent or more of the paid up capital of the Company carrying the right of voting at such meeting of the Company. Such requisition must be in writing and the Board will follow up to convene such meeting within 30 days.

## INVESTOR RELATIONS

The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. It disseminates information about its business operations to investors and shareholders in a timely manner using a variety of channels and methods. In addition to publishing interim and annual reports, the Company occasionally meets with analysts and holds press conferences. Enquiries and suggestions from shareholders, investors, media and the general public are followed up by executive directors or appropriate management staff. The corporate website is another channel through which the Company provides up-to-date information.

The annual general meeting also serves as an important channel of communication between directors and shareholders. The chairman personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. During the annual general meeting, the chairman of the Board and its committees are present to answer any queries from shareholders. External auditors are also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Company takes every precaution in its handling of price-sensitive information. The Company has implement a set of guidelines formally adopted by the Board on 20 March 2014 which aims to prevent inadvertent or selective dissemination of insider information and above all, to ensure compliance of the Securities and Future Ordinance in relation to the disclosure of inside information.

## CONSTITUTIONAL DOCUMENTS

During the year, the Articles of Association was twice amended with details as set out in circular to the shareholders dated 11 April 2014 and 22 September 2014 and approved by the shareholders in the general meeting of 29 May 2014 and 23 October 2014 respectively.

The directors are pleased to submit their report, together with the audited financial statements of the Group, for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The Group's principal activity is the development of quality residential and commercial properties for sale mainly in China, and its target customers are members of China's large and growing middle class. The Group also develops hotels, office buildings and shopping malls in Beijing, Guangzhou and other cities, which are held as investment properties.

An analysis of the Group's turnover and total assets during the financial year, by business segment, is set out in note 5 to the financial statements.

A list of principal subsidiaries, joint ventures and associated companies, together with their places of operation and incorporation, their issued capital and registered capital, is set out in notes 10, 11 and 12 to the financial statements.

## RESULTS

The profit of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 59 to 151 of this annual report.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 153 of this annual report. The summary of results is for comparative purposes only, and does not form an integral part of the audited financial statements.

## DIVIDENDS

No interim dividend had been paid for the six months ended 30 June 2014.

The Board has proposed that no final dividend be paid for 2014.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2014 annual general meeting ("AGM") of the Company will be held on Friday, 29 May 2015 and the notice of annual general meeting will be published and dispatched in the manner as required by the Listing Rules.

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 29 April 2015 to Friday, 29 May 2015, both days inclusive. In order for the shareholders to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 28 April 2015.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The following two agreements include a condition imposing specific performance obligations on Mr. Li Sze Lim ("Mr. Li"), a controlling shareholder of the Company who is interested in approximately 33.52% of the issued share capital of the Company as at 31 December 2014:

1. An agreement for a bank loan of RMB1.0 billion dated 21 May 2013 entered into by Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.(天津津南新城房地產開發有限公司), owned as to 25% by the Group. This loan will be fully repaid in May 2016.

2. An agreement for a bank loan of HK$2.7 billion dated 10 October 2013 entered into by Charm Talent Limited, owned as to 25% by the Group. This loan will be fully repaid in October 2016.

For each of the above loans, it will be an event of default in the event that Mr. Li ceases to hold directly or indirectly an aggregate beneficial ownership of not less than 30% in the shares of and interests in the Company and in such event (amongst other things), the loan agreements may be terminated by the lenders and the loans may become immediately due and repayable.

## MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers combined was less than 30% of the Group's total turnover.

## DONATIONS

During the year, the total amount of charitable donations made by the Group was approximately RMB15.34 million (2013: RMB16.72 million).

## PROPERTY, PLANT AND EQUIPMENT

The detailed changes in property, plant and equipment of the Group for the year are set out in note 7 to the financial statements.

## BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2014 are set out in note 26 to the financial statements.

## CAPITALIZED BORROWING COSTS

Borrowing costs capitalized by the Group during the year amounted to approximately RMB4,886 million (2013: approximately RMB1,864 million).

## MAJOR PROPERTIES

Major properties of the Group as at 31 December 2014 are set out on pages 154 to 162 of this annual report.

## SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Company during the year up to 31 December 2014 are set out in note 22 to the financial statements.

## DISTRIBUTABLE RESERVES

In accordance with the Articles of Association, distribution of dividends should be made out of distributable reserves, this being the lower amount either as determined under China Accounting Standard for Business Enterprises ("CAS") or as determined under the Hong Kong Financial Reporting Standards ("HKFRS"). As at 31 December 2014, the Company's distributable reserves were approximately RMB3.689 billion, being the smaller of the distributable reserves as determined under CAS and HKFRS.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year up to 31 December 2014 are set out in the statement of changes in equity on page 63 of this annual report.

## DIRECTORS AND SUPERVISORS

The directors of the Company during the year were:

*Executive Directors*
Mr. Li Sze Lim
Mr. Zhang Li
Mr. Zhou Yaonan
Mr. Lu Jing

*Non-executive Directors*
Ms. Zhang Lin
Ms. Li Helen

*Independent Non-executive Directors*
Mr. Huang Kaiwen
Mr. Dai Feng (resigned on 28 February 2014)
Mr. Lai Ming Joseph
Mr. Zheng Ercheng (appointed on 30 May 2014)

*Supervisors*
Mr. Chen Liangnuan
Ms. Liang Yingmei
Mr. Zheng Ercheng (resigned on 30 May 2014)
Mr. Zhao Xianglin (appointed on 16 September 2014)

In accordance with Article 106 of the Articles of Association, the executive directors, Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhao Yaonan and Mr. Lu Jing, retire by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and supervisors of the Company has entered into a service contract with the Company for a term of three years. None of the directors or supervisors has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save for the agreement in relation to the acquisition of Huizhou Golden Swan Hotspring Co., Ltd. entered into by the Company, Mr. Li Sze Lim and Mr. Zhang Li, both a director of the Company, as described in the section headed "CONNECTED TRANSACTION", no contract of significance to which the Company or any of its subsidiaries or joint ventures was a party, and in which a director or a supervisor of the Company was materially interested, whether directly or indirectly, subsisted at any time during the year or as at 31 December 2014.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year the following directors had interests in the following businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group, (other than those businesses where the directors were appointed as director of the businesses concerned to represent the interests of the Company/ Group):

**Businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group**

| Name of Director | Name of Entity | Description of Business | Nature of the interest of the director in the entity |
|---|---|---|---|
| Mr. Li Sze Lim | Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli") | Owns an office building in Beijing for rental income | Shareholder |
| | Huizhou Golden Swan Hotspring Co., Ltd ("Golden Swan") | Spa Hotel | Shareholder |
| Mr. Zhang Li | Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli") | Owns an office building in Beijing for rental income | Shareholder |
| | Huizhou Golden Swan Hotspring Co., Ltd. ("Golden Swan") | Spa Hotel | Shareholder |

Mr. Li Sze Lim and Mr. Zhang Li have confirmed that Fushengli has no intention of engaging in any business (save as disclosed) which competes or is likely to compete with the Group. The Company's directors are of the view that the Company is capable of carrying on its business independently of Fushengli.

Golden Swan was acquired by the Company in December 2014.

## DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2014, the beneficial interests and short positions of the directors and supervisors of the Company and any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 31 December 2014 were as follows:

| | | Number of Shares | | | |
|---|---|---|---|---|---|
| **Director/ Supervisor** | **Nature of Interest** | **Personal** | **Spouse or child under 18** | **Total** | **Percentage of the total number of issued shares** |
| Li Sze Lim | Domestic shares<br>H shares | 1,045,092,672<br>30,000,000 | 5,000,000 | 1,080,092,672 | 33.52% |
| Zhang Li | Domestic shares<br>H shares | 1,005,092,672<br>6,632,800 | 20,000,000 | 1,031,725,472 | 32.02% |
| Lu Jing | Domestic shares | 35,078,352 | | 35,078,352 | 1.09% |
| Zhou Yaonan | Domestic shares | 22,922,624 | | 22,922,624 | 0.71% |
| Li Helen | H shares | 1,003,600 | | 1,003,600 | 0.03% |
| Zheng Ercheng | H shares | 260,280 | | 260,280 | 0.008% |
| Chen Liangnuan | Domestic shares | 20,000,000 | | 20,000,000 | 0.62% |

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

| Director | Name of associated corporation | Type | No. of shares | Percentage of total issued capital |
|---|---|---|---|---|
| Li Sze Lim | Guangzhou Tianfu Property Development Co., Ltd. (Note 1) | Corporate | N/A | 7.5% |
| | Beijing Fushengli Investment Consulting Co., Ltd. (Note 2) | Corporate | N/A | 35.0% |
| Zhang Li | Guangzhou Tianfu Property Development Co., Ltd. (Note 1) | Corporate | N/A | 7.5% |
| | Beijing Fushengli Investment Consulting Co., Ltd. (Note 2) | Corporate | N/A | 35.0% |

Note:

1. Guangzhou Tianfu Property Development Co., Ltd. is 15% owned by Century Land Properties Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

2. Beijing Fushengli Investment Consulting Co., Ltd. is 70% owned by Well Bright International Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, so far as the directors are aware, only the following persons (other than the directors, supervisors and chief executive officer of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under division 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

| Name of shareholder | Type of share | Number of shares (Note) | Percentage of H shares |
|---|---|---|---|
| BlackRock, Inc. | "H" share | 64,450,880 (L) | 6.35% |
| JPMorgan Chase & Co. | "H" share | 59,154,154 (L)<br>2,203,385 (S)<br>34,772,887 (P) | 5.82%<br>0.21%<br>3.42% |
| Morgan Stanley | "H" share | 56,577,952 (L)<br>37,478,838 (S) | 5.57%<br>3.69% |
| Commonwealth Bank of Australia | "H" share | 53,233,212 (L)<br>5,067,768 (S) | 5.24%<br>0.49% |
| Lehman Brothers Holdings Inc. | "H" share | 51,049,240 (L)<br>67,663,183 (S) | 5.03%<br>6.66% |

Note: The letters "L", "S" and "P" respectively denote a long position, short position and lending pool in the shares.

## SHARE OPTION SCHEME

The Group did not adopt any share option scheme during the year.

## PRE-EMPTIVE RIGHTS

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

## FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Company has not provided any financial assistance to or guarantee for facilities granted to affiliated companies (within the definition under chapter 13 of the Listing Rules) which together in aggregate would exceed the relevant percentage of 8%, requiring disclosure under the Listing Rules.

## CONNECTED TRANSACTIONS

The following connected transaction took place during the year ended 31 December 2014:

### Acquisition of 100% interest in Huizhou Golden Swan Hot Spring Co. Ltd.

On 15 December 2014, the Company entered into an acquisition agreement with Mr. Li Sze Lim ("Mr. Li") and Mr. Zhang Li ("Mr. Zhang") to acquire the entire registered capital of Huizhou Golden Swan Hot Spring Co. Ltd. ("Golden Swan") for a consideration of RMB530 million payable on completion. Golden Swan was owned as to 50% by Mr. Li and as to 50% by Mr. Zhang. Each of Mr. Li and Mr. Zhang is a Director and a substantial shareholder of the Company and hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Golden Swan owns the InterContinental Huizhou Resort located in Hengli Town, Huizhou, China and also certain land around the hotel which can be used for development of residential properties. The acquisition complemented the property projects of the Group in the Huizhou area and also increased the diversity of the Group's hotel portfolio by adding a resort hotel to the portfolio of city business hotels of the Group.

Certain other transactions with related parties as disclosed in note 43 "Significant related-party transactions" to the consolidated financial statements constituted connected transactions under the Listing Rules but exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31 of the Listing Rules. These exempted connected transactions were:

1. Lease of property and provision of property management services to 廣州金貝殼投資有限公司;
2. Purchase of environment drinking water system from Guangzhou Canton-Rich Environment Inc.;
3. Lease of an aircraft under operating lease from Power Ease Investments Limited; and
4. Purchase of installation services from 廣州恒量機電工程有限公司.

Save for the above, there were no other connected transactions in the year.

## POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

## MANAGEMENT CONTRACTS

No contract for the management and administration of the Group was entered into or was subsisting during the year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

## AUDITOR

The financial statements of the Group have been audited by PricewaterhouseCoopers and it has indicated its willingness to be continuously in office. A resolution will be proposed by the Board at the AGM to re-appoint the firm as the auditor of the Company until the close of the next annual general meeting.

By order of the Board
**Li Sze Lim**
*Chairman*

Guangzhou, China
17 March 2015

## Dear Shareholders,

During 2014, the Supervisory Committee (the "Committee") carried out its supervisory duties conscientiously and diligently to protect the interests of shareholders, in accordance with PRC Company Law and the Company's Articles of Association.

The Committee consists of three members: Mr. Chen Liangnuan, who was elected from amongst the Company's employees; and Ms. Liang Yingmei, Mr. Zheng Ercheng (resigned on 30 May 2014) and Mr. Zhao Xianglin (appointed on 16 September 2014), both independent supervisors representing shareholders' interests. A member of the Committee attended the meeting of the Board of Directors at which the Company's final 2014 results were approved, and one will also attend the upcoming 2014 annual general meeting.

Throughout the year, members of the Committee monitored the performance of the Company's directors and senior management, and reviewed all material policies formulated and important decisions taken. The Committee considers that the directors and senior management have conducted the Company's business diligently and honestly with the aim of advancing its stated corporate goals, and that they have acted in the best interests of the Company and its shareholders and in compliance with the laws and regulations of the PRC and the Company's Articles of Association.

The Committee has reviewed the financial statements for the year ended 31 December 2014, prepared in accordance with Hong Kong Financial Reporting Standards and audited by the Company's auditor, PricewaterhouseCoopers. The Committee has also reviewed the report of the directors and the profit appropriation proposal to be presented by the Board at the forthcoming 2014 annual general meeting. The Committee considers that the financial statements reflect a true and fair view of the Company's financial position and the results of its operations, and that they comply with all regulations applicable to the Company.

The Committee is satisfied with the business performance and achievement of the Company in 2014, and has great confidence in its future.

By order of the Supervisory Committee
**Chen Liangnuan**
*Convenor*

Guangzhou, China
17 March 2015

## EXECUTIVE DIRECTORS

**Li Sze Lim（李思廉）, JP, aged 58, is the Chairman of the Company**

Mr. Li obtained his bachelor degree in mathematics in 1978 from the Chinese University of Hong Kong and was a merchant when starting his career in the real estate business in 1993. In August 1994, Mr. Li Sze Lim and Mr. Zhang Li together founded Guangzhou R&F Properties Co., Ltd. He now holds the position of chairman and executive director of the company. He is responsible for the strategic direction of the company and also specially responsible for the sales and financial management function. Mr. Li is the chairman of the Council of Guangdong Chamber of Real Estate, the president of China Real Estate Developers and Investors Association ("CREDIA"), the vice president of New Home Association, a director of the board and part-time professor of Jinan University. Mr. Li is the brother of Ms. Li Helen who is a non-executive director of the Company.

Mr. Li did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a controlling shareholder of the Company. Save as disclosed, Mr. Li does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,045,092,672 domestic shares, 5,000,000 H shares and a corporate interest of 30,000,000 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Li and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. The emolument payable to Mr. Li will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

**Zhang Li（張力）aged 62, is the Co-chairman and Chief Executive Officer of the Company**

Mr. Zhang started his career in the construction and renovation business. Prior to joining the Company, he was the Secretary of Youth League Committee of Guangzhou 2nd Light Industry Bureau and the Head of production department of Guangzhou Baiyun District Township Enterprise Administration. In 1993, Mr. Zhang began to engage in real estate development and in August 1994, together with Mr. Li Sze Lim, founded Guangzhou R&F Properties Co., Ltd. He now holds the positions of Co-chairman, executive director and chief executive officer of the Company. Mr. Zhang is responsible for land acquisition, engineering, construction, cost control and managing daily operations. Mr. Zhang's is also chairman and an executive director of Kinetic Mines and Energy Limited (Stock code: 1277). Mr. Zhang is a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference, the chairman of China Real Estate Chamber of Commerce and, a director of the board and a part-time professor of Jinan University. Mr. Zhang is the brother of Ms. Zhang Lin who is a non-executive director of the Company.

Saved as disclosed, Mr. Zhang did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a controlling shareholder of the Company. Save as disclosed, Mr. Zhang does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,025,092,672 domestic shares and 6,632,800 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhang will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

**Zhou Yaonan（周耀南）aged 61, is an Executive Director of the Company and Deputy Vice President**

Mr. Zhou is primarily responsible for coordinating and monitoring the construction and development of property projects and project management. He was appointed as a deputy general manager when he joined the Group in October 1995 and was made general manager in 2005. He was elected as an executive director of the Board in October 2001 and appointed as a deputy vice president in 2008. He is currently an executive director and deputy vice president of the Company. Prior to joining the Group, he held various teaching and administrative positions with a number of middle schools in Guangzhou from 1970 to 1990, after graduating from South China Normal University with a bachelor's degree.

Mr. Zhou did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a shareholder of the Company. Mr. Zhou does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 22,922,624 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhou and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhou will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

**Lu Jing（呂勁）aged 55, is an Executive Director of the Company**

Mr. Lu has been with the Company since the formation of Tianli Properties Development Co., Ltd. in August 1994, and has been serving as deputy general manager since then. He was elected as an executive director of the Board in October 2001. He was responsible for the Company's development projects in Beijing and Eastern China. He is currently an executive director of the Company and is in charge of the Group's operation in Australia. He graduated from the Guangdong University of Mining in 1982 with a bachelor's degree in industrial automation. He has also been awarded an EMBA degree from Peking University. Prior to joining the Company, Mr. Lu was deputy manager of a pharmaceutical factory in Guangzhou.

Mr. Lu did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a shareholder of the Company. Mr. Lu does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 35,078,352 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Lu and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Lu will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

## NON-EXECUTIVE DIRECTORS

**Zhang Lin（張琳）aged 66**

Ms. Zhang served as a lecturer at the South China University of Technology from 1982 to 1993 and as an associate professor from 1993 to 2003, teaching electrical and electronic engineering technology. Ms. Zhang graduated from the South China University of Technology having majored in electrical engineering. Ms. Zhang is the sister of Mr. Zhang Li.

Ms. Zhang's is also a non-executive director of Kinetic Mines and Energy Limited, a company listed on the Hong Kong Stock Exchange. There is a service contract signed between the Company and Ms. Zhang and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Zhang will be determined by the Board.

**Li Helen（李海倫）aged 64**

Ms. Li has over 25 years of experience in international trade and has held various senior executive positions with several international companies. From 1986 to 1987 she was the managing director of Sunrise Knitwear Ltd., a knitwear manufacturing company in Hong Kong and a subsidiary of Hong Kong Sales Knitwear Ltd. From 1988 to 2005 she was the president of Great Seas Marketing Inc., a Canadian garment wholesale and distribution company. Ms. Li is the sister of Mr. Li Sze Lim.

Ms. Li did not hold any directorship in any other listed public company within the last three years. She has a personal interest of 1,003,600 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Ms. Li and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Li will be determined by the Board.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Huang Kaiwen（黃開文）aged 81**

Mr. Huang held senior administrative positions with various schools and colleges from 1963 to 1979. From 1979 to 1996 he was a division chief, deputy director general and director general of the Guangzhou Bureau of Land Resources and Housing Administration. Mr. Huang became one of the Company's independent non-executive directors in May 2005.

Mr. Huang did not hold any directorship in any other listed public company within the last three years. There is a service contract signed between the Company and Mr. Huang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Huang will be determined by the Board.

**Lai Ming, Joseph（黎明）aged 70**

Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors. He co-founded the Hong Kong Centre of CIMA and was its president from 1974 to 1975 and from 1979 to 1980. He was the president of the HKICPA in 1986. Mr. Lai became an independent non-executive director of the Company in May 2005 and has been chairman of the Audit Committee since then.

Until his retirement in 2004, Mr. Lai served several Hong Kong listed companies in key management positions with particular emphasis on corporate finance and organization and management information. He is an independent non-executive director of Jolimark Holdings Limited and Country Garden Holdings Company Limited, both of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

**Zheng Ercheng（鄭爾城）aged 57**

Mr. Zheng has extensive experience in the China banking industry and financial sector. He was sub-branch deputy governor and then governor of China Construction Bank, Guangzhou Branch, Tianhe Sub-branch from 1987 to 1997 and general manager of the International Business Department of the Guangzhou Branch of the China Construction Bank from 1997 to 1999. He was the general manager of the Guangzhou Branch of Cinda Asset Management Company from 1999 to 2000. Mr. Zheng has since retired from active employment. Mr. Zheng was appointed Supervisor in June 2004 and was appointed as independent non-executive director on 30 May 2014.

Mr. Zheng did not hold any directorship in any other listed public company within the last three years. He has a personal interest of 260,280 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zheng and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zheng will be determined by the Board.

## SUPERVISORS

**Mr. Chen Liangnuan（陳量暖）aged 65**

Mr. Chen graduated from Shanghai Textile College in 1977. From 1977 to 1996, Mr. Chen had served as the general manager or party secretary of various textile factories in Guangzhou. Mr. Chen joined Guangzhou Tianli Construction Co., Ltd. (“Tianli”) in 1996 as its general manager and assumed in 2003 the additional position of managing director which he currently holds. Tianli is presently a wholly-owned subsidiary of the Company. Mr. Chen is also the managing director of Foshan Metalwork Co., Ltd. (佛山力尊金屬制品有限公司) and Guangzhou Tianyin Landscape Engineering Co., Ltd. (廣州天盈園林工程有限公司), both wholly-owned subsidiary of the Company and a director of Beijing Fushengli Investment Consulting Co., Ltd. (北京富盛利房地產經紀有限公司), an associated company of the Company.

Mr. Chen did not hold any directorship in any other listed public company within the last three years. He has a personal interest of 20,000,000 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Liang Yingmei（梁英梅）aged 74**

Ms. Liang has over 40 years of experience in the construction industry. She was the chairman of the Association of the Construction Materials Industry of Guangzhou. Prior to 2000, she served as an engineer, a deputy general manager and finally chairman and general manager of Guangzhou Construction Materials Group Corporation. Ms. Liang received a bachelor’s degree in chemistry from the South China University of Technology in 1964. She was appointed as a Supervisor of the Company in June 2004 to act as a representative of the Company’s shareholders.

**Mr. Zhao Xianglin（趙祥林）, aged 73**

Mr. Zhao graduated from Yangzhou University in 1964 with a higher education diploma. From 1969 to 2002, Mr. Zhao was a senior teacher at the Affiliated High School of Yangzhou University (“AHSYU”). During Mr. Zhao’s tenure at AHSYU, he was also the head of the Music Curriculum Development Team, vice-president of the Labor Union and the director of the Office of School Sponsored Enterprises of AHSYU. Mr. Zhao is very experienced in supervising the functioning of sizable enterprises. From 1998 to 2002, Mr. Zhao was a member of the Political Consultative Conference of the City of Yangzhou. Mr. Zhao retired in 2002. He was appointed as a Supervisor of the Company in September 2014 to act as a representative of the Company’s shareholders.

羅兵咸永道

**To the shareholders of Guangzhou R&F Properties Co., Ltd.**
*(Incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 151, 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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, 17 March 2015

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | As at 31 December 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 6 | **1,198,045** | 1,098,345 |
| Property, plant and equipment | 7 | **7,495,641** | 6,566,671 |
| Investment properties | 8 | **18,047,632** | 15,888,187 |
| Intangible assets | 9 | **977,958** | 897,836 |
| Interests in joint ventures | 11 | **4,617,519** | 4,258,931 |
| Interests in associates | 12 | **86,213** | 122,600 |
| Deferred income tax assets | 28 | **2,927,764** | 3,217,888 |
| Available-for-sale financial assets | 13 | **535,477** | 281,400 |
| Trade and other receivables and prepayments | 17 | **3,772,884** | 1,450,024 |
| | | **39,659,133** | 33,781,882 |
| **Current assets** | | | |
| Properties under development | 14 | **81,327,691** | 56,111,099 |
| Completed properties held for sale | 15 | **17,222,116** | 10,992,876 |
| Inventories | 16 | **358,831** | 297,920 |
| Trade and other receivables and prepayments | 17 | **10,890,728** | 13,162,768 |
| Tax prepayments | 27 | **2,551,852** | 1,656,242 |
| Restricted cash | 18 | **6,339,497** | 6,622,173 |
| Cash and cash equivalents | 19 | **13,490,425** | 17,722,162 |
| | | **132,181,140** | 106,565,240 |
| **Total assets** | | **171,840,273** | 140,347,122 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 20 | **805,592** | 805,592 |
| Other reserves | 22 | **4,538,822** | 4,344,253 |
| Shares held for Share Award Scheme | 23 | **(128,711)** | (172,563) |
| Retained earnings | 21 | | |
| – Proposed final dividends | 37 | **–** | 1,596,859 |
| – Others | | **30,749,658** | 25,532,695 |
| | | **35,965,361** | 32,106,836 |
| **Perpetual capital instruments** | 24 | **15,648,416** | 1,000,000 |
| **Non-controlling interests** | | **531,785** | 375,207 |
| **Total equity** | | **52,145,562** | 33,482,043 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 26 | **45,553,602** | 43,352,514 |
| Accruals and other payables | 25 | **171,222** | 596,257 |
| Deferred income tax liabilities | 28 | **3,278,908** | 3,589,702 |
| | | **49,003,732** | 47,538,473 |
| **Current liabilities** | | | |
| Accruals and other payables | 25 | **19,270,956** | 17,781,734 |
| Deposits received on sale of properties | | **19,225,725** | 13,777,892 |
| Current income tax liabilities | 29 | **10,089,230** | 9,671,667 |
| Short-term borrowings | 26 | **3,085,000** | 2,549,535 |
| Current portion of long-term borrowings | 26 | **19,020,068** | 15,545,778 |
| | | **70,690,979** | 59,326,606 |
| **Total liabilities** | | **119,694,711** | 106,865,079 |
| **Total equity and liabilities** | | **171,840,273** | 140,347,122 |
| **Net current assets** | | **61,490,161** | 47,238,634 |
| **Total assets less current liabilities** | | **101,149,294** | 81,020,516 |

| | |
|---|---|
| **Li Sze Lim** | **Zhang Li** |
| *Director* | *Director* |

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

# BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | As at 31 December 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 6 | **94,930** | 97,851 |
| Property, plant and equipment | 7 | **1,049,989** | 964,095 |
| Investment properties | 8 | **137,220** | 174,604 |
| Intangible assets | 9 | **41,874** | 28,901 |
| Investments in subsidiaries | 10 | **18,412,679** | 16,666,282 |
| Interests in joint ventures | 11 | **1,133,400** | 912,840 |
| Interests in associates | 12 | **138,466** | 140,335 |
| Deferred income tax assets | 28 | **89,347** | 183,918 |
| Available-for-sale financial assets | 13 | **460,477** | 228,900 |
| Trade and other receivables and prepayments | 17 | **2,534,373** | 384,188 |
| | | **24,092,755** | 19,781,914 |
| **Current assets** | | | |
| Properties under development | 14 | **5,203,901** | 4,925,419 |
| Completed properties held for sale | 15 | **1,525,644** | 1,340,489 |
| Trade and other receivables and prepayments | 17 | **7,873,093** | 12,306,209 |
| Tax prepayments | 27 | **154,447** | 16,563 |
| Restricted cash | 18 | **898,319** | 1,448,339 |
| Cash and cash equivalents | 19 | **597,861** | 3,087,307 |
| | | **16,253,265** | 23,124,326 |
| **Total assets** | | **40,346,020** | 42,906,240 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 20 | **805,592** | 805,592 |
| Other reserves | 22 | **4,533,012** | 4,344,253 |
| Shares held for Share Award Scheme | 23 | **(128,711)** | (172,563) |
| Retained earnings | 21 | | |
| – Proposed final dividends | 37 | **–** | 1,596,859 |
| – Others | | **3,688,938** | 1,250,118 |
| **Total equity** | | **8,898,831** | 7,824,259 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 26 | **5,963,300** | 6,976,270 |
| Accruals and other payables | 25 | **171,222** | 596,257 |
| Deferred income tax liabilities | 28 | **–** | 114,115 |
| | | **6,134,522** | 7,686,642 |
| **Current liabilities** | | | |
| Accruals and other payables | 25 | **20,919,481** | 19,480,974 |
| Deposits received on sale of properties | | **1,603,608** | 91,682 |
| Current income tax liabilities | 29 | **895,808** | 643,750 |
| Current portion of long-term borrowings | 26 | **1,893,770** | 7,178,933 |
| | | **25,312,667** | 27,395,339 |
| **Total liabilities** | | **31,447,189** | 35,081,981 |
| **Total equity and liabilities** | | **40,346,020** | 42,906,240 |
| **Net current liabilities** | | **9,059,402** | 4,271,013 |
| **Total assets less current liabilities** | | **15,033,353** | 15,510,901 |

**Li Sze Lim**
*Director*

**Zhang Li**
*Director*

The notes on pages 65 to 151 are an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Year ended 31 December **2014** | 2013 |
|---|---|---|---|
| Revenue | 5 | **34,705,410** | 36,271,284 |
| Cost of sales | 31 | **(22,391,431)** | (22,036,298) |
| **Gross profit** | | **12,313,979** | 14,234,986 |
| Other gains – net | 30 | **1,925,098** | 2,644,420 |
| Selling and marketing costs | 31 | **(896,059)** | (626,089) |
| Administrative expenses | 31 | **(2,220,501)** | (1,838,631) |
| Other operating income | | **105,206** | 84,533 |
| **Operating profit** | | **11,227,723** | 14,499,219 |
| Finance costs | 33 | **(1,215,921)** | (1,933,742) |
| Share of results of joint ventures | | **169,789** | 357,253 |
| Share of results of associates | | **(25,205)** | (50,901) |
| Profit before income tax | | **10,156,386** | 12,871,829 |
| Income tax expenses | 34 | **(3,649,997)** | (5,226,181) |
| Profit for the year | | **6,506,389** | 7,645,648 |
| Profit attributable to: | | | |
| – Holders of perpetual capital instruments | | **1,331,328** | – |
| – Owners of the Company | | **5,220,603** | 7,633,860 |
| – Non-controlling interests | | **(45,542)** | 11,788 |
| | | **6,506,389** | 7,645,648 |
| **Basic and diluted earnings per share for profit attributable to owners of the Company** (expressed in RMB Yuan per share) | 36 | **1.6325** | 2.3900 |

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

| | Note | Year ended 31 December **2014** | 2013 |
|---|---|---|---|
| **Dividends** | 37 | **–** | 1,980,105 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Year ended 31 December 2014 | 2013 |
|---|---|---|---|
| **Profit for the year** | | **6,506,389** | 7,645,648 |
| **Other comprehensive income** | | | |
| *Item that may be reclassified to profit or loss* | | | |
| – Fair value gains/(losses) on available-for-sale financial assets, net of tax | 22 | **173,683** | (7,350) |
| – Currency translation differences | | **5,810** | – |
| **Other comprehensive income for the year, net of tax** | | **179,493** | (7,350) |
| **Total comprehensive income for the year** | | **6,685,882** | 7,638,298 |
| **Total comprehensive income attributable to:** | | | |
| – Owners of the Company | | **5,400,096** | 7,626,510 |
| – Holders of perpetual capital instruments | | **1,331,328** | – |
| – Non-controlling interests | | **(45,542)** | 11,788 |
| | | **6,685,882** | 7,638,298 |

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Shares held for Share Award Scheme | Other reserves | Retained earnings | Total | Perpetual capital instrument | Non-controlling interests | Total equity |
| **Balance at 1 January 2013** | 805,592 | (167,364) | 4,351,603 | 21,476,124 | 26,465,955 | – | 363,919 | 26,829,874 |
| **Total comprehensive income for the year** | – | – | (7,350) | 7,633,860 | 7,626,510 | – | 11,788 | 7,638,298 |
| **Transactions with owners** | | | | | | | | |
| Disposal of a subsidiary | – | – | – | – | – | – | (500) | (500) |
| Dividends for the year | – | – | – | (1,980,430) | (1,980,430) | – | – | (1,980,430) |
| Shares purchased for Share Award Scheme | – | (5,199) | – | – | (5,199) | – | – | (5,199) |
| Issuance of perpetual capital instrument (Note 24) | – | – | – | – | – | 1,000,000 | – | 1,000,000 |
| **Total transactions with owners** | – | (5,199) | – | (1,980,430) | (1,985,629) | 1,000,000 | (500) | (986,129) |
| **Balance at 31 December 2013** | 805,592 | (172,563) | 4,344,253 | 27,129,554 | 32,106,836 | 1,000,000 | 375,207 | 33,482,043 |
| **Balance at 1 January 2014** | **805,592** | **(172,563)** | **4,344,253** | **27,129,554** | **32,106,836** | **1,000,000** | **375,207** | **33,482,043** |
| **Total comprehensive income for the year** | **–** | **–** | **179,493** | **5,220,603** | **5,400,096** | **1,331,328** | **(45,542)** | **6,685,882** |
| **Transactions with owners** | | | | | | | | |
| Decrease in ownership interests in a subsidiary without change of control | **–** | **–** | **–** | **–** | **–** | **–** | **200,277** | **200,277** |
| Acquisition of subsidiaries | **–** | **–** | **–** | **–** | **–** | **–** | **1,843** | **1,843** |
| Dividends for the year | **–** | **–** | **–** | **(1,600,499)** | **(1,600,499)** | **–** | **–** | **(1,600,499)** |
| Disposals of shares held for Share Award Scheme | **–** | **43,852** | **15,076** | **–** | **58,928** | **–** | **–** | **58,928** |
| Issuance of perpetual capital instruments (Note 24) | **–** | **–** | **–** | **–** | **–** | **14,543,912** | **–** | **14,543,912** |
| Distributions to holders of perpetual capital instruments (Note 24) | **–** | **–** | **–** | **–** | **–** | **(1,226,824)** | **–** | **(1,226,824)** |
| **Total transactions with owners** | **–** | **43,852** | **15,076** | **(1,600,499)** | **(1,541,571)** | **13,317,088** | **202,120** | **11,977,637** |
| **Balance at 31 December 2014** | **805,592** | **(128,711)** | **4,538,822** | **30,749,658** | **35,965,361** | **15,648,416** | **531,785** | **52,145,562** |

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Year ended 31 December 2014 | 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 38 | **(12,407,150)** | (4,892,238) |
| Interest paid | | **(5,842,478)** | (3,915,885) |
| Enterprise income tax and land appreciation tax paid | | **(3,815,173)** | (3,054,324) |
| **Net cash used in operating activities** | | **(22,064,801)** | (11,862,447) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(971,283)** | (846,498) |
| Purchases of intangible assets | | **(145,917)** | (42,402) |
| Additions of investment properties | | **(161,420)** | (105,341) |
| Proceeds on disposals of property, plant and equipment | 38 | **25,393** | 5,957 |
| Proceeds on disposals of investment properties | 38 | **41,442** | 983 |
| Investments in available-for-sale financial assets | | **(22,500)** | (44,700) |
| Investments in joint ventures | | **(220,560)** | (330,311) |
| Cash (advances to)/repayments from joint ventures and associates | | **(892,437)** | 306,512 |
| Dividends received on available-for-sale financial assets | | **–** | 2,595 |
| Dividends received from an associate | | **5,615** | 7,021 |
| Interest received | | **211,760** | 151,684 |
| **Net cash used in investing activities** | | **(2,129,907)** | (894,500) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings, net of transaction costs | | **28,950,368** | 38,910,926 |
| Repayments of borrowings | | **(22,886,034)** | (13,459,231) |
| Repayments of finance lease liabilities | | **(50,222)** | (50,222) |
| Proceeds on disposal of equity interest in a subsidiary | | **200,277** | – |
| Decrease/(increase) in guarantee deposits for borrowings | | **1,994,960** | (866,591) |
| Net proceeds from issuance of perpetual capital instruments | | **14,543,912** | 1,000,000 |
| Distributions paid to holders of perpetual capital instruments | | **(1,226,824)** | – |
| Proceeds from disposals of/(purchase of) shares for Share Award Scheme | | **58,928** | (5,199) |
| Dividends paid to owners of the Company | | **(1,651,664)** | (1,983,185) |
| **Net cash generated from financing activities** | | **19,933,701** | 23,546,498 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(4,261,007)** | 10,789,551 |
| Exchange gains/(losses) on cash and cash equivalents | | **29,270** | (93,481) |
| Cash and cash equivalents at beginning of year | | **17,722,162** | 7,026,092 |
| **Cash and cash equivalents at end of year** | 19 | **13,490,425** | 17,722,162 |

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

## 1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

These financial statements are presented in RMB Yuan thousands (RMB'000), unless otherwise stated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

**(a) New and amended standards and interpretation adopted by the Group**

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014.

| Standards/Interpretation | Subject of amendment |
|---|---|
| Amendment to HKAS 32 | Offsetting financial assets and financial liabilities |
| Amendment to HKFRS 10, HKFRS 12 and HKAS 27 | Consolidation for investment entities |
| Amendment to HKAS 36 | Impairment of assets' on recoverable amount disclosures |
| Amendment to HKAS 39 | Financial Instruments: Recognition and Measurement' – 'Novation of derivatives |
| HK (IFRIC)-Int 21 | Levies |

The adoption of new and amended standards and interpretation has no material impact on the Group's financial statements except for disclosure.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### (b) New and amended standards and annual improvements not yet adopted

A number of new standards, amendments to standards and annual improvements are effective for annual periods commencing after 1 January 2014, and have not been applied in preparing the Group's financial statements.

| Standards | Subject of amendment | Effective for annual periods beginning on or after |
|---|---|---|
| Amendment to HKAS19 | Defined benefit plans: employee contributions | 1 July 2014 |
| Annual improvements 2012 | Annual improvements 2010-2012 cycle | 1 July 2014 |
| Annual improvements 2013 | Annual improvements 2011-2013 cycle | 1 July 2014 |
| HKFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| Amendment to HKFRS 11 | Acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortization | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: bearer plants | 1 January 2016 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| Amendment to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| Annual improvements 2014 | Annual improvements 2012-2014 cycle | 1 January 2016 |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: applying the consolidation exception | 1 January 2016 |
| Amendments to HKAS 1 | Disclosure initiative | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| HKFRS 9 | Financial instruments | 1 January 2018 |

#### (c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation of information in the consolidated financial statements will be affected.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

*(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of controls are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Joint arrangement

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Joint arrangement (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other gains – net".

#### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Property, plant and equipment

Buildings comprise mainly office premises and hotel buildings. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| – Buildings | 20-30 years |
| – Furniture, fixtures and equipment | 3-5 years |
| – Transportation equipment | 4-15 years |
| – Machinery | 5-10 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the income statement.

Assets under construction represent property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on construction in progress. When the construction activities necessary to prepare the assets for the their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

### 2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands 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 initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gains – net".

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Intangible assets

#### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (b) Construction licence

Construction licence acquired in a business combination is recognised at fair value at the acquisition date. The directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at cost less accumulated impairment losses.

#### (c) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

#### (d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

### 2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life – for example, goodwill or construction license – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Financial assets

#### 2.11.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(a) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables and prepayments", "cash and cash equivalents" and "restricted cash" in the balance sheet.

*(b) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### 2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of "other gains – net" when the Group's right to receive payments is established.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received. Discretionary interest declared by the Group to the holders of perpetual capital instrument is treated as dividend.

### 2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### 2.14 Impairment of financial assets

#### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Impairment of financial assets (Continued)

#### (b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### 2.15 Land use rights

All lands in the PRC are state-owned and no individual ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at the lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

### 2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises costs of land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

### 2.17 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Inventories

Inventories principally comprise construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.19 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

### 2.20 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties, provision of construction, hotel and property management services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

### 2.22 Share capital and Shares held for Share Award Scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company’s Employee Share Trust purchases H shares from the market, the consideration paid, including any directly attributable incremental costs is presented as Shares held for Share Award Scheme and presented as a deduction against equity attributable to the Company’s equity holders.

### 2.23 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Borrowing costs

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

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

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

### 2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Current and deferred income tax (Continued)

#### (b) Deferred income tax (Continued)

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.27 Employee benefits

#### (a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

#### (c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.27 Employee benefits (Continued)

#### (c) Retirement benefits (Continued)

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

#### (d) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### 2.28 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.29 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

**(a) Sale of properties**

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as deposits received on sale of properties under current liabilities.

**(b) Construction services**

Revenue arising from construction services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**(c) Rental income**

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

**(d) Hotel operations**

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

**(e) Property management**

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

**(f) Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.29 Revenue recognition (Continued)

**(g) Dividend income**

Dividend income is recognised when the right to receive payment is established.

### 2.30 Leases

**(a) The Group is the lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

**(b) The Group is the lessor**

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

### 2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.32 Financial guarantee contracts

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, joint ventures or associates to secure loans, overdrafts and other banking facilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.32 Financial guarantee contracts (Continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is 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 expenses.

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

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**(a) Market risk**

*(i) Foreign exchange risk*

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain cash and cash equivalents and restricted cash denominated in HK dollars ("HKD"), US dollars ("USD"), Malaysia dollars ("MYR"), Australian dollars ("AUD") and Singapore dollars ("SGD"), certain borrowings denominated in USD, payables denominated in HKD, MYR, AUD and SGD, and receivables denominated in MYR and SGD The Group has not hedged its foreign exchange rate risk. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

**(a) Market risk (Continued)**

*(i) Foreign exchange risk (Continued)*

The table below summarises the impact of changes in foreign exchange rate at 31 December 2014 with all other variables held constant on the Group's post-tax profit for the year:

| | RMB against the foreign currency weaken by 1% | RMB against the foreign currency strengthen by 1% |
|---|---|---|
| | impact on post-tax profit for the year | |
| Denominated in HKD | | |
| Cash and cash equivalents | (200) | 200 |
| Accruals and other payables | 3,194 | (3,194) |
| Denominated in USD | | |
| Cash and cash equivalents | (2,603) | 2,603 |
| Restricted cash | (4,124) | 4,124 |
| Borrowings | 89,908 | (89,908) |
| Denominated in MYR | | |
| Cash and cash equivalents | (308) | 308 |
| Trade and other receivables | (100) | 100 |
| Accruals and other payables | 131 | (131) |
| Denominated in AUD | | |
| Cash and cash equivalents | (70) | 70 |
| Accruals and other payables | 100 | (100) |
| Denominated in SGD | | |
| Cash and cash equivalents | (2) | 2 |
| Trade and other receivables | (1) | 1 |
| Accruals and other payables | 30 | (30) |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

*(i) Foreign exchange risk (Continued)*

The table below summarises the impact of changes in foreign exchange rate at 31 December 2013 with all other variables held constant on the Group's post-tax profit for the year:

| | RMB against the foreign currency | |
|---|---|---|
| | weaken by 1% | strengthen by 1% |
| | impact on post-tax profit for the year | |
| Denominated in HKD | | |
| Cash | 300 | (300) |
| Restricted cash | 171 | (171) |
| Accruals and other payables | (4,475) | 4,475 |
| Denominated in USD | | |
| Cash | 14,990 | (14,990) |
| Restricted cash | 2,165 | (2,165) |
| Borrowings | (51,226) | 51,226 |
| Denominated in MYR | | |
| Cash | 50 | (50) |

*(ii) Price risk*

The Group is exposed to equity securities price risk because available-for-sale financial assets held by the Group, which are not publicly traded, would be influenced by market price. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

*(iii) Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

**(a) Market risk (Continued)**

*(iii) Cash flow and fair value interest rate risk (Continued)*

The table below summarises the impact of changes in interest rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year:

| | Interest rate | |
|---|---|---|
| | **25 basis points higher** | **25 basis points lower** |
| | **Impact on post-tax profit for the year** | |
| Long-term borrowings at variable rates | (50,561) | 50,561 |

**(b) Credit risk**

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables except for prepayments. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2014, no customer accounted for more than 5% of the Group's trade receivables (2013: one)

In addition, the Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The Group also provides guarantees to its joint ventures and an associate for their borrowings.

**(c) Liquidity risk**

Management of the Group aims to maintain sufficient cash and cash equivalents including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investments in land banks, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposal of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2014** | | | | | |
| Borrowings (excluding finance lease liabilities (Note (1)) | **26,581,659** | **20,684,070** | **24,312,303** | **10,093,814** | **81,671,846** |
| Finance lease liabilities | **50,222** | **50,222** | **12,557** | **–** | **113,001** |
| Financial liabilities as included in accruals and other payables | **6,106,915** | **171,222** | **–** | **–** | **6,278,137** |
| Guarantees in respect of borrowings of joint ventures and an associate | **769,838** | **2,073,870** | **1,636,191** | **–** | **4,479,899** |
| **At 31 December 2013** | | | | | |
| Borrowings (excluding finance lease liabilities (Note (1)) | 22,585,534 | 21,897,481 | 20,263,899 | 8,673,464 | 73,420,378 |
| Finance lease liabilities | 50,222 | 50,222 | 62,779 | – | 163,223 |
| Financial liabilities as included in accruals and other payables | 16,707,975 | 425,036 | 171,221 | – | 17,304,232 |
| Guarantees in respect of borrowings of joint ventures and an associate | 1,301,374 | 844,974 | 883,219 | – | 3,029,567 |
| **Company** | | | | | |
| **At 31 December 2014** | | | | | |
| Borrowings (Note (1)) | **2,405,839** | **3,794,373** | **2,649,148** | **–** | **8,849,360** |
| Financial liabilities as included in accruals and other payables | **18,845,564** | **–** | **–** | **–** | **18,845,564** |
| Guarantees in respect of borrowings of subsidiaries, joint ventures and an associate | **4,555,688** | **3,684,380** | **2,108,782** | **–** | **10,348,850** |
| **At 31 December 2013** | | | | | |
| Borrowings (Note (1)) | 8,093,909 | 2,377,812 | 5,212,555 | – | 15,684,276 |
| Financial liabilities as included in accruals and other payables | 19,375,155 | 425,036 | 171,221 | – | 19,971,412 |
| Guarantees in respect of borrowings of subsidiaries, joint ventures and an associate | 2,061,637 | 1,354,355 | 1,464,516 | – | 4,880,508 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

Note:

(1) Interest on borrowings is calculated on borrowings held as at 31 December 2014 and 2013. Floating-rate interest is estimated using the current interest rate as at 31 December 2014 and 2013 respectively.

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and restricted cash.

The gearing ratio is calculated as follows:

| | **2014** | 2013 |
|---|---|---|
| Total borrowings (Note 26) | **67,658,670** | 61,447,827 |
| Less: cash and cash equivalents | **(13,490,425)** | (17,722,162) |
| restricted cash | **(6,339,497)** | (6,622,173) |
| Net debt | **47,828,748** | 37,103,492 |
| Total equity | **52,145,562** | 33,482,043 |
| Gearing ratio | **91.7%** | 110.8% |

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

As at 31 December 2014 and 2013, the Group's financial assets that are measured at fair value are available-for-sale financial assets. See Note 8 for disclosures of the investment properties that are measured at fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

| | Available-for-sale financial assets | |
|---|---|---|
| | **2014** | 2013 |
| Level 3 | **535,477** | 281,400 |

The valuation is performed based on the market approach by reference to quoted prices of other similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. This is categorised as level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for this unquoted equity investments.

A sensitivity analysis of the Group's major available-for-sale financial assets is disclosed in Note 4.

#### (a) Financial instruments in level 3

The fair value of the Group's major available-for-sale financial assets was revalued on 31 December 2014 by an independent and professionally qualified valuer. The fair value gain on the equity investments was included in "other comprehensive income". The valuation of the equity instruments was derived using the direct comparison approach by reference to comparable instruments that are substantially the same in the market.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually 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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the gross margin or growth rate had been lower than management estimates by 10% or discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of goodwill as at 31 December 2014.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (b) Estimated impairment of construction licenses

Useful life of construction licenses is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the royalty rate or growth rate had been lower than management estimates by 10% or the discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment in construction licenses as at 31 December 2014.

### (c) Income taxes

Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

### (d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale 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 expenses of the Group. However, the implementation of these taxes varies amongst various cities in the PRC and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. 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 expenses and provisions for land appreciation taxes in the period in which such determination is made.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (e) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 8.

### (f) Estimate of fair value of available-for-sale financial assets

The fair value of the Group's major available-for-sale financial assets that are not quoted in active markets is determined by using valuation techniques. Changes in assumptions about the factors used in the valuation could affect reported fair value of available-for-sale financial assets.

If the market price had been lower than management estimates by 5% with other variables held constant, the carrying amount of available-for-sale financial assets would have been lowered by RMB22,709,000.

### (g) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2014, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2014 and the segment assets and liabilities at 31 December 2014 are as follows:

| | Property development | Property investment | Hotel operations | All other segments | Group |
|---|---|---|---|---|---|
| Segment revenue | 31,650,997 | 879,847 | 1,137,521 | 1,358,864 | 35,027,229 |
| Inter-segment revenue | – | (52,584) | (28,918) | (240,317) | (321,819) |
| **Revenue from external customers** | 31,650,997 | 827,263 | 1,108,603 | 1,118,547 | 34,705,410 |
| Profit/(loss) for the year | 5,449,418 | 1,576,066 | (139,619) | (379,476) | 6,506,389 |
| Finance costs | (697,934) | (155,492) | (231,187) | (131,308) | (1,215,921) |
| Share of results of joint ventures | 169,789 | – | – | – | 169,789 |
| Share of results of associates | (24,705) | – | – | (500) | (25,205) |
| Income tax expenses | (3,285,959) | (525,356) | 46,540 | 114,778 | (3,649,997) |
| Depreciation and amortisation | (232,557) | – | (177,312) | (62,834) | (472,703) |
| Goodwill disposed for sale of properties (Note 9) | (3,269) | – | – | – | (3,269) |
| Allowance for impairment losses of receivables | (10,250) | – | (42) | 601 | (9,691) |
| Fair value gains on investment properties – net of tax | – | 1,228,631 | – | – | 1,228,631 |
| **Segment assets** | 143,397,989 | 18,047,632 | 6,085,875 | 845,536 | 168,377,032 |
| Segment assets include: | | | | | |
| Interests in joint ventures | 4,617,519 | – | – | – | 4,617,519 |
| Interests in associates | 35,153 | – | – | 51,060 | 86,213 |
| Addition to non-current assets (other than financial instruments and deferred tax assets) | 475,914 | 559,319 | 108,049 | 167,268 | 1,310,550 |
| **Segment liabilities** | 37,777,761 | – | 307,688 | 582,454 | 38,667,903 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2013 and the segment assets and liabilities at 31 December 2013 are as follows:

| | Property development | Property investment | Hotel operations | All other segments | Group |
|---|---|---|---|---|---|
| Segment revenue | 33,651,248 | 779,786 | 957,051 | 1,145,516 | 36,533,601 |
| Inter-segment revenue | – | (52,541) | (56,457) | (153,319) | (262,317) |
| **Revenue from external customers** | 33,651,248 | 727,245 | 900,594 | 992,197 | 36,271,284 |
| Profit/(loss) for the year | 6,120,890 | 2,111,145 | (248,725) | (337,662) | 7,645,648 |
| Finance costs | (1,362,517) | (175,613) | (264,499) | (131,113) | (1,933,742) |
| Share of results of joint ventures | 357,253 | – | – | – | 357,253 |
| Share of results of associates | (51,171) | – | – | 270 | (50,901) |
| Income tax expenses | (4,674,980) | (703,715) | 82,909 | 69,605 | (5,226,181) |
| Depreciation and amortisation | (147,568) | – | (151,849) | (32,809) | (332,226) |
| Goodwill disposed for sale of properties (Note 9) | (9,163) | – | – | – | (9,163) |
| Allowance for impairment losses of receivables | (8,656) | – | (158) | (664) | (9,478) |
| Fair value gains on investment properties – net of tax | – | 1,827,152 | – | – | 1,827,152 |
| **Segment assets** | 115,052,178 | 15,888,187 | 5,273,055 | 634,414 | 136,847,834 |
| Segment assets include: | | | | | |
| Interests in joint ventures | 4,258,931 | – | – | – | 4,258,931 |
| Interests in associates | 71,040 | – | – | 51,560 | 122,600 |
| Addition to non-current assets (other than financial instruments and deferred tax assets) | 410,406 | 105,341 | 372,481 | 117,030 | 1,005,258 |
| **Segment liabilities** | 31,490,566 | – | 121,936 | 543,381 | 32,155,883 |

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the income statement.

Breakdown of revenue from all services is analysed as follows:

| | **2014** | 2013 |
|---|---|---|
| Sale of properties | **31,650,997** | 33,651,248 |
| Rental income | **827,263** | 727,245 |
| Hotel operations | **1,108,603** | 900,594 |
| Property management services and others | **1,118,547** | 992,197 |
| | **34,705,410** | 36,271,284 |

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 5. SEGMENT INFORMATION (Continued)

The Group's deferred tax and available-for-sale financial assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

| | **2014** | 2013 |
|---|---|---|
| Segment assets for reportable segments | **168,377,032** | 136,847,834 |
| Deferred income tax assets | **2,927,764** | 3,217,888 |
| Available-for-sale financial assets | **535,477** | 281,400 |
| **Total assets per balance sheet** | **171,840,273** | 140,347,122 |

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

| | **2014** | 2013 |
|---|---|---|
| Segment liabilities for reportable segments | **38,667,903** | 32,155,883 |
| Deferred income tax liabilities | **3,278,908** | 3,589,702 |
| Current income tax liabilities | **10,089,230** | 9,671,667 |
| Current borrowings | **22,105,068** | 18,095,313 |
| Non-current borrowings | **45,553,602** | 43,352,514 |
| **Total liabilities per balance sheet** | **119,694,711** | 106,865,079 |

## 6. LAND USE RIGHTS

The Group's and the Company's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

| | **Group** | |
|---|---|---|
| | **2014** | 2013 |
| Outside Hong Kong in the PRC, held on leases of: | | |
| Between 10 and 50 years | **1,198,045** | 1,098,345 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 6. LAND USE RIGHTS (Continued)

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| Outside Hong Kong in the PRC, held on leases of: | | |
| Between 10 and 50 years | **94,930** | 97,851 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Opening balance at 1 January | **1,098,345** | 850,398 | **97,851** | 94,213 |
| Transfer from properties under development | **155,905** | 317,276 | **–** | 6,758 |
| Transfer to properties under development | **–** | (42,381) | **–** | – |
| Amortisation of prepaid operating lease payments | **(56,205)** | (26,948) | **(2,921)** | (3,120) |
| Closing balance at 31 December | **1,198,045** | 1,098,345 | **94,930** | 97,851 |

Land use rights are amortised in the following categories:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Selling and administrative expenses | **6,970** | 4,447 |
| Cost of sales | **15,023** | 13,738 |
| Capitalised in property, plant and equipment | **34,212** | 8,763 |
| | **56,205** | 26,948 |

Land use rights pledged as collateral are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Land use rights (Note 26) | **581,083** | 582,136 | **72,399** | 74,657 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 7. PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Transportation equipment | | | | |
| | Office buildings | Hotel buildings | Furniture, fixtures and equipment | Assets acquired under finance lease | Others | Machinery | Assets under construction | Total |
| **At 1 January 2013** | | | | | | | | |
| Cost | 1,412,440 | 3,075,956 | 431,325 | 395,325 | 257,370 | 334,529 | 698,875 | 6,605,820 |
| Accumulated depreciation | (136,047) | (352,141) | (282,023) | (16,762) | (153,440) | (176,207) | – | (1,116,620) |
| Net book amount | 1,276,393 | 2,723,815 | 149,302 | 378,563 | 103,930 | 158,322 | 698,875 | 5,489,200 |
| **Year ended 31 December 2013** | | | | | | | | |
| Opening net book amount | 1,276,393 | 2,723,815 | 149,302 | 378,563 | 103,930 | 158,322 | 698,875 | 5,489,200 |
| Additions | 22,666 | – | 68,997 | – | 51,786 | 17,711 | 696,163 | 857,323 |
| Transfers | 11,997 | 703,204 | – | – | – | – | (715,201) | – |
| Transfer from properties under development | 53,085 | 274 | – | – | – | – | 466,651 | 520,010 |
| Transfer to properties under development | (16,251) | – | – | – | – | – | – | (16,251) |
| Disposals (Note 38) | (1,262) | – | (260) | – | (1,332) | (108) | – | (2,962) |
| Depreciation (Notes 31 and 38) | (48,530) | (98,927) | (52,002) | (25,143) | (28,564) | (27,483) | – | (280,649) |
| Closing net book amount | 1,298,098 | 3,328,366 | 166,037 | 353,420 | 125,820 | 148,442 | 1,146,488 | 6,566,671 |
| **At 31 December 2013** | | | | | | | | |
| Cost | 1,479,352 | 3,779,434 | 498,944 | 395,325 | 306,778 | 351,911 | 1,146,488 | 7,958,232 |
| Accumulated depreciation | (181,254) | (451,068) | (332,907) | (41,905) | (180,958) | (203,469) | – | (1,391,561) |
| Net book amount | 1,298,098 | 3,328,366 | 166,037 | 353,420 | 125,820 | 148,442 | 1,146,488 | 6,566,671 |
| **Year ended 31 December 2014** | | | | | | | | |
| Opening net book amount | **1,298,098** | **3,328,366** | **166,037** | **353,420** | **125,820** | **148,442** | **1,146,488** | **6,566,671** |
| Additions | **24,753** | **889** | **78,086** | **–** | **49,444** | **60,033** | **792,786** | **1,005,991** |
| Transfers from properties under development | **57,590** | **131,030** | **–** | **–** | **–** | **–** | **151,724** | **340,344** |
| Transfer to properties under development | **–** | **(18,653)** | **–** | **–** | **–** | **–** | **–** | **(18,653)** |
| Disposals (Note 38) | **(5,730)** | **–** | **(1,562)** | **–** | **(1,630)** | **(1,612)** | **–** | **(10,534)** |
| Depreciation (Notes 31 and 38) | **(58,796)** | **(131,695)** | **(55,385)** | **(25,143)** | **(60,327)** | **(56,832)** | **–** | **(388,178)** |
| Closing net book amount | **1,315,915** | **3,309,937** | **187,176** | **328,277** | **113,307** | **150,031** | **2,090,998** | **7,495,641** |
| **At 31 December 2014** | | | | | | | | |
| Cost | **1,549,840** | **3,892,700** | **570,291** | **395,325** | **342,161** | **400,877** | **2,090,998** | **9,242,192** |
| Accumulated depreciation | **(233,925)** | **(582,763)** | **(383,115)** | **(67,048)** | **(228,854)** | **(250,846)** | **–** | **(1,746,551)** |
| Net book amount | **1,315,915** | **3,309,937** | **187,176** | **328,277** | **113,307** | **150,031** | **2,090,998** | **7,495,641** |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Borrowings are secured by office buildings, hotel buildings and assets under construction with a carrying amount of RMB4,309,544,000 (2013: RMB4,070,513,000) for the Group (Note 26).

Assets under construction mainly represent building costs and other costs incurred for the construction of hotel buildings. For the year ended 31 December 2014, borrowing costs capitalised in assets under construction amounted to RMB114,823,000 (2013: RMB20,841,000). The capitalisation rate of borrowings for assets under construction was 7.74% for the year ended 31 December 2014 (2013: 6.99%)

| | Company | | | | |
|---|---|---|---|---|---|
| | Office buildings | Furniture, fixtures and equipment | Transportation equipment | Assets under construction | Total |
| **At 1 January 2013** | | | | | |
| Cost | 861,417 | 17,379 | 60,805 | 92,965 | 1,032,566 |
| Accumulated depreciation | (60,928) | (11,509) | (38,775) | – | (111,212) |
| Net book amount | 800,489 | 5,870 | 22,030 | 92,965 | 921,354 |
| **Year ended 31 December 2013** | | | | | |
| Opening net book amount | 800,489 | 5,870 | 22,030 | 92,965 | 921,354 |
| Additions | 11,263 | 7,131 | 8,432 | 51,982 | 78,808 |
| Disposals | (1,256) | – | – | – | (1,256) |
| Depreciation | (27,518) | (2,231) | (5,062) | – | (34,811) |
| Closing net book amount | 782,978 | 10,770 | 25,400 | 144,947 | 964,095 |
| **At 31 December 2013** | | | | | |
| Cost | 871,110 | 24,510 | 69,237 | 144,947 | 1,109,804 |
| Accumulated depreciation | (88,132) | (13,740) | (43,837) | – | (145,709) |
| Net book amount | 782,978 | 10,770 | 25,400 | 144,947 | 964,095 |
| **Year ended 31 December 2014** | | | | | |
| Opening net book amount | **782,978** | **10,770** | **25,400** | **144,947** | **964,095** |
| Additions | **–** | **5,562** | **3,688** | **121,744** | **130,994** |
| Disposals | **(2,294)** | **(61)** | **(122)** | **–** | **(2,477)** |
| Depreciation | **(27,151)** | **(5,507)** | **(9,965)** | **–** | **(42,623)** |
| Closing net book amount | **753,533** | **10,764** | **19,001** | **266,691** | **1,049,989** |
| **At 31 December 2014** | | | | | |
| Cost | **868,246** | **28,852** | **68,422** | **266,691** | **1,232,211** |
| Accumulated depreciation | **(114,713)** | **(18,088)** | **(49,421)** | **–** | **(182,222)** |
| Net book amount | **753,533** | **10,764** | **19,001** | **266,691** | **1,049,989** |

Borrowings are secured by office buildings and assets under construction with a carrying amount of RMB1,305,901,000 (2013: RMB868,751,000) for the Company (Note 26).

(All amounts in RMB Yuan thousands unless otherwise stated)

## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation was expensed in the following categories in the consolidated income statement:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Selling and administrative expenses | **157,876** | 108,585 |
| Cost of sales | **230,302** | 172,064 |
| | **388,178** | 280,649 |

## 8. INVESTMENT PROPERTIES

| | Group | | |
|---|---|---|---|
| | **Completed investment properties** | **Investment properties under construction** | **Total** |
| **Year ended 31 December 2013** | | | |
| Opening balance at 1 January 2013 | 13,347,220 | – | 13,347,220 |
| Additions | – | 105,341 | 105,341 |
| Disposals (Note 38) | (577) | – | (577) |
| Fair value gains – net (including in other gains – net) (Notes 30 and 38) | 2,128,921 | 307,282 | 2,436,203 |
| Closing balance at 31 December 2013 | 15,475,564 | 412,623 | 15,888,187 |
| Total gains for the year included in profit or loss under “other gains – net” | 2,129,327 | 307,282 | 2,436,609 |
| Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year | 2,128,921 | 307,282 | 2,436,203 |
| Year ended 31 December 2014 | | | |
| Opening balance at 1 January 2014 | **15,475,564** | **412,623** | **15,888,187** |
| Additions | **–** | **559,319** | **559,319** |
| Disposals (Note 38) | **(38,048)** | **–** | **(38,048)** |
| Fair value gains – net (including in other gains – net) (Notes 30 and 38) | **249,627** | **1,388,547** | **1,638,174** |
| Closing balance at 31 December 2014 | **15,687,143** | **2,360,489** | **18,047,632** |
| Total gains for the year included in profit or loss under “other gains – net” | **253,021** | **1,388,547** | **1,641,568** |
| Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year | **249,627** | **1,388,547** | **1,638,174** |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 8. INVESTMENT PROPERTIES (Continued)

| | Company |
|---|---|
| | Completed investment properties |
| **Year ended 31 December 2013** | |
| Opening balance at 1 January 2013 | 169,021 |
| Fair value gains– net (including in other gains – net) | 5,583 |
| Closing balance at 31 December 2013 | 174,604 |
| **Year ended 31 December 2014** | |
| Opening balance at 1 January 2014 | **174,604** |
| Disposals (Note 38) | **(38,048)** |
| Fair value gains – net (including in other gains – net) | **664** |
| Closing balance at 31 December 2014 | **137,220** |

### (a) The investment properties are located in the PRC and are held on leases of between 10 and 50 years.

### (b) Amounts recognised in the consolidated income statement for investment properties:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Rental income | **827,263** | 727,245 |
| Direct operating expenses arising from investment properties that generate rental income | **(69,379)** | (64,336) |
| Direct operating expenses that did not generate rental income | **(41,096)** | (35,017) |

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

### (c) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2014 and 2013. The fair value gains or losses are included in "other gains – net" (Note 30).

As at 31 December 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

## 8. INVESTMENT PROPERTIES (Continued)

### (d) Valuation processes of the Group

The Group's investment properties were revalued on 31 December 2014 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised 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. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

### (e) Valuation techniques

For completed office and retail buildings, valuations are based on term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison method. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

For investment properties under construction, the Group has valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development plans. Valuations are based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

## 8. INVESTMENT PROPERTIES (Continued)

### (f) Information about fair value measurements using significant unobservable inputs (level 3)

| | Description | Fair value at 31 December 2014 | Valuation techniques | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Completed investment properties | Office | 5,371,568 | Term and reversionary method | Term yields | 7.25% | The higher the term yields, the lower the fair value |
| | | | | Reversionary yields | 7.25% | The higher the reversion yields, the lower the fair value |
| | | | | Market rents (RMB/square metre/ month) | 284-320 | The higher the market rents, the higher the fair value |
| | | | | Market price (RMB/square metre) | 37,200-55,300 | The higher the market price, the higher the fair value |
| | Retail | 9,664,936 | Term and reversionary method | Term yields | 6%-7.25% | The higher the term yields, the lower the fair value |
| | | | | Reversionary yields | 6%-7.25% | The higher the reversion yields, the lower the fair value |
| | | | | Market rents (RMB/square metre/ month) | 60-295 | The higher the market rents, the higher the fair value |
| | Carpark | 650,639 | Direct comparison method | Market price (RMB/square metre) | 4,226-10,012 | The higher the market price, the higher the fair value |
| Investment properties under construction | Retail | 2,360,489 | Residual method | Market price (RMB/square metre) | 27,533-38,395 | The higher the market price, the higher the fair value |
| | | | | Budgeted construction costs to be incurred (RMB/square metre) | 1,599-1,917 | The higher the budgeted construction costs to incurred, the lower the fair value |
| | | | | Developer's profit (%) | 2.04%-4.62% | The higher the developer's profit, the lower the fair value |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 8. INVESTMENT PROPERTIES (Continued)

### (f) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

| | Description | Fair value at 31 December 2013 | Valuation techniques | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Completed investment properties | Office | 5,312,404 | Term and reversionary method | Term yields | 7.25%-7.5% | The higher the term yields, the lower the fair value |
| | | | | Reversionary yields | 7.25%-7.5% | The higher the reversion yields, the lower the fair value |
| | | | | Market rents (RMB/square metre/ month) | 256-289 | The higher the market rents, the higher the fair value |
| | | | | Market price (RMB/square metre) | 36,400-54,100 | The higher the market price, the higher the fair value |
| | Retail | 9,557,250 | Term and reversionary method | Term yields | 6%-7.25% | The higher the term yields, the lower the fair value |
| | | | | Reversionary yields | 6%-7.25% | The higher the reversion yields, the lower the fair value |
| | | | | Market rents (RMB/square metre/ month) | 69-280 | The higher the market rents, the higher the fair value |
| | Carpark | 605,910 | Direct comparison method | Market price (RMB/square metre) | 4,226-10,012 | The higher the market price, the higher the fair value |
| Investment properties under construction | Retail | 412,623 | Residual method | Market price (RMB/square metre) | 22,750-35,000 | The higher the market price, the higher the fair value |
| | | | | Budgeted construction costs to be incurred (RMB/square metre) | 2,232 | The higher the budgeted construction costs to incurred, the lower the fair value |
| | | | | Developer's profit (%) | 5.23% | The higher the developer's profit, the lower the fair value |

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For an investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 8. INVESTMENT PROPERTIES (Continued)

### (g) Investment properties pledged as security

Investment properties pledged as collateral are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Investment properties (Note 26) | **6,853,499** | 10,921,305 | **826,733** | 118,625 |

### (h) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable on a monthly basis. Minimum rental payments receivable on leases of investment properties are shown in Note 42.

The period of leases over which the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 9. INTANGIBLE ASSETS

| | Group | | | | | Company |
|---|---|---|---|---|---|---|
| | Goodwill (a) | Construction licence (b) | Customer contracts | Software and others | Total | Software and others |
| **At 1 January 2013** | | | | | | |
| Cost | 519,165 | 282,000 | 322,000 | 137,444 | 1,260,609 | 31,328 |
| Accumulated amortisation and impairment | (2,983) | – | (322,000) | (37,829) | (362,812) | (8,396) |
| Net book amount | 516,182 | 282,000 | – | 99,615 | 897,797 | 22,932 |
| **Year ended 31 December 2013** | | | | | | |
| Opening net book amount | 516,182 | 282,000 | – | 99,615 | 897,797 | 22,932 |
| Additions | – | – | – | 42,594 | 42,594 | 9,573 |
| Amortisation charge | – | – | – | (33,392) | (33,392) | (3,604) |
| Goodwill disposed for sale of properties, charged to cost of sales (Note 38) | (9,163) | – | – | – | (9,163) | – |
| Closing net book amount | 507,019 | 282,000 | – | 108,817 | 897,836 | 28,901 |
| **At 31 December 2013** | | | | | | |
| Cost | 510,002 | 282,000 | 322,000 | 180,038 | 1,294,040 | 40,902 |
| Accumulated amortisation and impairment | (2,983) | – | (322,000) | (71,221) | (396,204) | (12,001) |
| Net book amount | 507,019 | 282,000 | – | 108,817 | 897,836 | 28,901 |
| **Year ended 31 December 2014** | | | | | | |
| Opening net book amount | **507,019** | **282,000** | **–** | **108,817** | **897,836** | **28,901** |
| Additions | **–** | **–** | **–** | **145,923** | **145,923** | **17,808** |
| Amortisation charge | **–** | **–** | **–** | **(62,532)** | **(62,532)** | **(4,835)** |
| Goodwill disposed for sale of properties, charged to cost of sales (Note 38) | **(3,269)** | **–** | **–** | **–** | **(3,269)** | **–** |
| Closing net book amount | **503,750** | **282,000** | **–** | **192,208** | **977,958** | **41,874** |
| **At 31 December 2014** | | | | | | |
| Cost | **506,733** | **282,000** | **322,000** | **325,961** | **1,436,694** | **58,710** |
| Accumulated amortisation and impairment | **(2,983)** | **–** | **(322,000)** | **(133,753)** | **(458,736)** | **(16,836)** |
| Net book amount | **503,750** | **282,000** | **–** | **192,208** | **977,958** | **41,874** |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 9. INTANGIBLE ASSETS (Continued)

Intangible assets are amortised in the following categories:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Selling and administrative expenses | **7,935** | 5,796 |
| Cost of sales | **54,597** | 27,596 |
| | **62,532** | 33,392 |

(a) Goodwill

Impairment test for goodwill

Goodwill is mainly allocated to the Group's cash-generating units (CGUs) identified as the construction services unit within the property development segment. The recoverable amount of the CGU as at 31 December 2014, which is determined based on value-in-use calculations, amounted to RMB5,494,000,000 approximately. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

| | **2014** | 2013 |
|---|---|---|
| Gross margin | **12%** | 9%-11% |
| Growth rate for the five-year period | **3%-8%** | 3%-10% |
| Terminal growth rate | **3%** | 3% |
| Pre-tax discount rate | **13.66%** | 15.85% |

Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

(b) Construction licence

Impairment test for construction licence

The recoverable amount of construction licence based on value-in-use calculations was approximately RMB396,000,000 as at 31 December 2014, which is determined by estimating the value of royalty (that is, licence fee) from which the Group is exempted by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the Company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

| | **2014** | 2013 |
|---|---|---|
| Royalty rate | **1%** | 1% |
| Growth rate for the five-year period | **3%-8%** | 3%-10% |
| Terminal growth rate | **3%** | 3% |
| Pre-tax discount rate | **14.58%** | 16.18% |

Management determined royalty rate based on past performance and industry factor. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| Investments, at cost: | | |
| Unlisted shares | **18,412,679** | 16,666,282 |

The following is a list of principal subsidiaries at 31 December 2014:

| Company name | Date of incorporation/ establishment | Legal status | Issued/registered and fully paid up capital | Attributable equity interests Direct | Attributable equity interests Indirect | Equity interests held by non-controlling interests | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|
| **Subsidiaries – incorporated in the PRC:** | | | | | | | |
| 廣州市金鼎房地產開發有限公司 | 31 August 1994 | Limited liability company | RMB8,000,000 | 90% | 10% | – | Property development in the PRC |
| 廣州天富房地產開發有限公司 | 8 July 2002 | Sino-foreign joint venture with limited liability | USD21,000,000 | 85% | – | 15% | Property development in the PRC |
| 廣州富力興盛置業發展有限公司 | 9 January 2004 | Sino-foreign joint venture with limited liability | USD6,500,000 | 25% | 75% | – | Development and investment of office buildings in the PRC |
| 廣州富力恒盛置業發展有限公司 | 9 January 2004 | Sino-foreign joint venture with limited liability | USD6,500,000 | 25% | 75% | – | Development and investment of hotel buildings in the PRC |
| 廣州富力鼎盛置業發展有限公司 | 9 January 2004 | Sino-foreign joint venture with limited liability | USD6,500,000 | 25% | 75% | – | Development and investment of hotel buildings in the PRC |
| 廣州富力嘉盛置業發展有限公司 | 29 September 2005 | Limited liability company | RMB400,000,000 | 97.5% | 2.5% | – | Property development in the PRC |
| 廣州富力創盛置業發展有限公司 | 4 November 2005 | Limited liability company | RMB360,000,000 | 86.11% | 13.89% | – | Property development in the PRC |
| 廣州富力超盛置業發展有限公司 | 8 December 2005 | Limited liability company | RMB600,000,000 | 100% | – | – | Property development in the PRC |
| 廣州永富房地產開發有限公司 | 19 December 2006 | Limited liability company | RMB100,000,000 | 95% | 5% | – | Property development in the PRC |
| 廣州德和投資發展有限公司 | 10 January 2006 | Limited liability company | RMB300,000,000 | 98.67% | 1.33% | – | Property development in the PRC |
| 廣州市華維裝飾材料有限公司 | 2 April 2004 | Limited liability company | RMB500,000 | 100% | – | – | Provision of interior design service in the PRC |
| 廣州市住宅建築設計院有限公司 | 26 April 1995 | Limited liability company | RMB5,000,000 | 93.84% | 6.16% | – | Residential architecture design in the PRC |
| 廣州天富建設工程監理有限公司 | 29 December 2001 | Limited liability company | RMB3,010,000 | – | 100% | – | Construction supervision and consultancy in the PRC |
| 廣州天力建築工程有限公司 | 20 May 1993 | Limited liability company | RMB300,000,000 | 90% | 10% | – | Construction company in the PRC |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. INVESTMENTS IN SUBSIDIARIES (Continued)

| Company name | Date of incorporation/ establishment | Legal status | Issued/registered and fully paid up capital | Attributable equity interests | | Equity interests held by non-controlling interests | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | | |
| **Subsidiaries – incorporated in the PRC (Continued):** | | | | | | | |
| 廣東恒力建設工程有限公司 | 12 June 2001 | Limited liability company | RMB15,000,000 | – | 100% | – | Construction company in the PRC |
| 廣州天盈園林工程有限公司 | 28 August 2009 | Limited liability company | RMB5,000,000 | – | 100% | – | Gardening and virescence construction in the PRC |
| 廣州富力美好置業發展有限公司 | 10 November 2003 | Limited liability company | RMB3,010,000 | 80% | 20% | – | Property leasing in the PRC |
| 廣州天力物業發展有限公司 | 10 December 1997 | Limited liability company | RMB5,000,000 | 90% | 10% | – | Property management in the PRC |
| 廣州富力國際空港綜合物流園有限公司 | 11 June 2006 | Limited liability company | RMB10,000,000 | 95% | 5% | – | Storage and logistics in the PRC |
| 廣州富力裝飾工程有限公司 | 27 April 2006 | Limited liability company | RMB10,000,000 | 90% | 10% | – | Provision of interior design service in the PRC |
| 惠州富力房地產開發有限公司 | 10 April 2007 | Limited liability company | RMB100,000,000 | 95% | 5% | – | Property development in the PRC |
| 龍門富力房地產開發有限公司 | 6 September 2007 | Limited liability company | RMB196,001,568 | 95% | 5% | – | Property development in the PRC |
| 博羅縣紅中實業發展有限公司 | 27 April 2004 | Limited liability company | RMB250,000,000 | 95% | 5% | – | Property development in the PRC |
| 北京富力城房地產開發有限公司 | 24 April 2002 | Limited liability company | RMB1,394,781,578 | 96% | 4% | – | Property development in the PRC |
| 富力(北京)地產開發有限公司 | 27 June 2002 | Limited liability company | RMB100,000,000 | 80% | 20% | – | Property development in the PRC |
| 北京華恩房地產開發有限公司 | 5 September 2000 | Limited liability company | RMB30,000,000 | 52% | 48% | – | Property development in the PRC |
| 北京鴻高置業發展有限公司 | 8 June 1999 | Limited liability company | RMB300,000,000 | – | 100% | – | Property development in the PRC |
| 北京龍熙順景房地產開發有限責任公司 | 20 August 2001 | Limited liability company | RMB21,750,000 | – | 100% | – | Property development in the PRC |
| 北京東方長安房地產開發有限公司 | 6 December 2001 | Limited liability company | RMB50,000,000 | – | 100% | – | Property development in the PRC |
| 富力(香河)房地產開發有限公司 | 5 November 2009 | Limited liability company | RMB200,000,000 | – | 100% | – | Property development in the PRC |
| 北京恒富物業服務有限公司 | 12 December 2002 | Limited liability company | RMB5,000,000 | – | 100% | – | Property management in the PRC |
| 富力南京地產開發有限公司 | 8 September 2010 | Limited liability company | RMB500,000,000 | – | 100% | – | Property development in the PRC |
| 北京富力歐美園林綠化有限公司 | 6 March 2003 | Limited liability company | RMB5,000,000 | – | 100% | – | Gardening and virescence construction in the PRC |
| 北京天越門窗製造有限公司 | 8 August 2003 | Limited liability company | RMB2,000,000 | – | 100% | – | Manufacture of aluminium frame and sales of construction and decoration materials in the PRC |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. INVESTMENTS IN SUBSIDIARIES (Continued)

| Company name | Date of incorporation/ establishment | Legal status | Issued/registered and fully paid up capital | Attributable equity interests Direct | Attributable equity interests Indirect | Equity interests held by non-controlling interests | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|
| **Subsidiaries – incorporated in the PRC (Continued):** | | | | | | | |
| 北京富力會康體俱樂部有限公司 | 15 October 2004 | Limited liability company | RMB3,000,000 | – | 100% | – | Operation of a recreational club in the PRC |
| 北京極富房地產開發有限公司 | 30 August 2007 | Limited liability company | RMB30,000,000 | 100% | – | – | Property development in the PRC |
| 天津富力城房地產開發有限公司 | 29 November 2004 | Limited liability company | RMB604,280,000 | 98.35% | 1.65% | – | Property development in the PRC |
| 天津鴻富房地產開發有限公司 | 30 June 2006 | Limited liability company | RMB300,000,000 | – | 100% | – | Property development in the PRC |
| 天津耀華投資發展有限公司 | 27 September 2002 | Limited liability company | RMB535,475,234 | – | 100% | – | Property development in the PRC |
| 天津富力濱海投資有限公司 | 25 December 2007 | Limited liability company | RMB400,000,000 | – | 100% | – | Property development in the PRC |
| 天津華信物業管理有限公司 | 23 April 2004 | Limited liability company | RMB5,000,000 | – | 100% | – | Property management in the PRC |
| 西安保德信房地產開發有限公司 | 8 August 2005 | Limited liability company | RMB65,000,000 | – | 100% | – | Property development in the PRC |
| 西安濱湖花園房地產開發有限公司 | 8 August 2005 | Limited liability company | RMB55,000,000 | – | 100% | – | Property development in the PRC |
| 西安富力灣房地產開發有限公司 | 14 September 2010 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 太原富力城房地產開發有限公司 | 14 August 2007 | Limited liability company | RMB350,000,000 | – | 100% | – | Property development in the PRC |
| 重慶永富房地產開發有限公司 | 18 December 2007 | Limited liability company | RMB10,000,000 | – | 100% | – | Property development in the PRC |
| 重慶富力房地產開發有限公司 | 30 December 2005 | Limited liability company | RMB660,000,000 | 32.35% | 67.65% | – | Property development in the PRC |
| 廣州富力地產(重慶)有限公司 | 26 January 2007 | Limited liability company | RMB854,500,761 | 93.94% | 6.06% | – | Property development in the PRC |
| 成都富力地產開發有限公司 | 27 March 2007 | Limited liability company | RMB600,000,000 | 98.33% | 1.67% | – | Property development in the PRC |
| 成都熊貓萬國商城有限公司 | 29 October 1997 | Limited liability company | RMB80,000,000 | 85% | – | 15% | Property development in the PRC |
| 成都富力熊貓城項目開發有限公司 | 15 August 2006 | Limited liability company | RMB30,000,000 | 65% | – | 35% | Property development in the PRC |
| 上海富力房地產開發有限公司 | 25 April 2007 | Limited liability company | RMB200,000,000 | 95% | 5% | – | Property development in the PRC |
| 上海浦衛房地產開發有限公司 | 18 July 2006 | Limited liability company | RMB320,000,000 | – | 100% | – | Property development in the PRC |
| 昆山新延房地產開發有限公司 | 16 November 2000 | Limited liability company | RMB128,000,000 | – | 100% | – | Property development in the PRC |
| 昆山國銀置業有限公司 | 9 July 2002 | Limited liability company | RMB380,000,000 | 95% | 5% | – | Property development in the PRC |
| 海南三林發展有限公司 | 17 January 1995 | Limited liability company | RMB25,210, 000 | – | 100% | – | Property development in the PRC |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. INVESTMENTS IN SUBSIDIARIES (Continued)

| Company name | Date of incorporation/ establishment | Legal status | Issued/registered and fully paid up capital | Attributable equity interests Direct | Attributable equity interests Indirect | Equity interests held by non-controlling interests | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|
| **Subsidiaries – incorporated in the PRC (Continued):** | | | | | | | |
| 海南朝陽房地產發展有限公司 | 4 April 1995 | Limited liability company | RMB111,060,000 | – | 100% | – | Property development in the PRC |
| 海南三林旅業開發有限公司 | 7 March 1995 | Limited liability company | RMB124,900,000 | – | 100% | – | Property development in the PRC |
| 海南紅樹林度假村有限公司 | 24 March 1995 | Limited liability company | RMB11,650,000 | – | 100% | – | Property development in the PRC |
| 海南明強房地產發展有限公司 | 26 April 1995 | Limited liability company | RMB11,700,000 | – | 100% | – | Property development in the PRC |
| 海南怡豐房地產發展(香港)公司 | 27 January 1994 | Limited liability company | HKD15,000,000 | 100% | – | – | Property development in the PRC |
| 海南陵水富力灣開發有限公司 | 23 November 2006 | Limited liability company | RMB500,000,000 | 100% | – | – | Property development in the PRC |
| 海南富力房地產開發有限公司 | 29 March 2007 | Limited liability company | RMB100,000,000 | 95% | 5% | – | Property development in the PRC |
| 海南那甲旅業開發有限公司 | 27 November 1998 | Limited liability company | RMB300,000,000 | 99.8% | 0.2% | – | Property development in the PRC |
| 海南協興地產發展(香港)有限公司 | 26 January 1994 | Limited liability company | HKD15,000,000 | 100% | – | – | Property development in the PRC |
| 海南天力建築工程有限公司 | 9 July 2010 | Limited liability company | RMB20,000,000 | – | 100% | – | Construction company in the PRC |
| 北京富源盛達房地產開發有限公司 | 20 January 2011 | Limited liability company | RMB30,000,000 | – | 100% | – | Property development in the PRC |
| 富力(哈爾濱)房地產開發有限公司 | 12 April 2011 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 文昌富力房地產開發有限公司 | 25 August 2011 | Limited liability company | RMB100,000,000 | 95% | 5% | – | Property development in the PRC |
| 廣州富力足球俱樂部有限公司 | 7 July 2011 | Limited liability company | RMB20,000,000 | 100% | – | – | Operation of a football club in the PRC |
| 大同富力城房地產開發有限公司 | 7 November 2011 | Limited liability company | RMB20,000,000 | – | 100% | – | Property development in the PRC |
| 廣州聖景房地產開發有限公司 | 27 August 2007 | Limited liability company | USD80,000,000 | 25% | 75% | – | Property development in the PRC |
| 海南富力海洋歡樂世界開發有限公司 | 20 June 2012 | Limited liability company | RMB2,000,000,000 | 80% | 20% | – | Property development in the PRC |
| 臨高富力房地產開發有限公司 | 20 November 2012 | Limited liability company | RMB100,000,000 | 90% | 10% | – | Property development in the PRC |
| 梅縣富力足球學校 | 6 December 2012 | Limited liability company | RMB20,000,000 | 100% | – | – | Operation of a football school in the PRC |
| 惠州富茂房地產開發有限公司 ("惠州富茂") | 14 May 2010 | Limited liability company | RMB500,000,000 | 50% | 50% | – | Property development in the PRC |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. INVESTMENTS IN SUBSIDIARIES (Continued)

| Company name | Date of incorporation/ establishment | Legal status | Issued/registered and fully paid up capital | Attributable equity interests Direct | Attributable equity interests Indirect | Equity interests held by non-controlling interests | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|
| **Subsidiaries – incorporated in the PRC (Continued):** | | | | | | | |
| 天津百合灣建設有限公司 | 30 January 2012 | Limited liability company | RMB160,000,000 | – | 100% | – | Property development in the PRC |
| 天津團泊綠島建設有限公司 | 15 June 2012 | Limited liability company | RMB80,000,000 | – | 100% | – | Property development in the PRC |
| 上海極富房地產開發有限公司 | 31 January 2013 | Limited liability company | RMB200,000,000 | – | 100% | – | Property development in the PRC |
| 杭州極富房地產開發有限公司 | 27 February 2013 | Limited liability company | USD40,000,000 | – | 100% | – | Property development in the PRC |
| 無錫天潤福源房地產開發有限公司 | 2 March 2011 | Limited liability company | RMB20,000,000 | – | 100% | – | Property development in the PRC |
| 哈爾濱富力城房地產開發有限公司 | 15 May 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 梅縣富力房地產開發有限公司 | 1 July 2013 | Limited liability company | RMB100,000,000 | 95% | 5% | – | Property development in the PRC |
| 湖南隆平九華房地產開發有限公司 | 12 May 2008 | Limited liability company | RMB100,000,000 | 95% | 5% | – | Property development in the PRC |
| 杭州富力房地產開發有限公司 | 19 December 2012 | Limited liability company | USD95,000,000 | – | 100% | – | Property development in the PRC |
| 佛山富力房地產開發有限公司 | 13 November 2013 | Limited liability company | RMB100,000,000 | 100% | – | – | Property development in the PRC |
| 無錫極富房地產開發有限公司 | 16 December 2013 | Limited liability company | USD150,000,000 | – | 100% | – | Property development in the PRC |
| 廣州天禧房地產開發有限公司 ("廣州天禧") | 22 August 2013 | Limited liability company | RMB10,000,000 | 75% | – | 25% | Property development in the PRC |
| 杭州聯富房地產開發有限公司 | 24 December 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 杭州品富房地產開發有限公司 | 4 September 2013 | Limited liability company | USD64,500,000 | – | 100% | – | Property development in the PRC |
| 閩侯富力房地產開發有限公司 | 11 September 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 福州市台江富力置業有限公司 | 11 September 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 包頭市富力房地產開發有限公司 | 18 October 2013 | Limited liability company | RMB200,000,000 | – | 100% | – | Property development in the PRC |
| 天津富潤房地產開發有限公司 | 23 October 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 南京富力城房地產開發有限公司 | 17 November 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 北京金廈園房地產開發有限公司 | 20 November 2013 | Limited liability company | RMB60,000,000 | – | 100% | – | Property development in the PRC |
| 北京富力通達房地產開發有限公司 | 20 November 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 珠海富力房地產開發有限公司 | 20 November 2013 | Limited liability company | RMB420,000,000 | 100% | – | – | Property development in the PRC |
| 富力(瀋陽)房地產開發有限公司 | 15 January 2014 | Limited liability company | USD90,000,000 | – | 100% | – | Property development in the PRC |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. INVESTMENTS IN SUBSIDIARIES (Continued)

| Company name | Date of incorporation/ establishment | Legal status | Issued/registered and fully paid up capital | Attributable equity interests Direct | Attributable equity interests Indirect | Equity interests held by non-controlling interests | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|
| **Subsidiaries – incorporated in the PRC (Continued):** | | | | | | | |
| 瀋陽億隆房屋開發有限公司 | 12 December 2001 | Limited liability company | RMB20,000,000 | – | 100% | – | Property development in the PRC |
| 杭州瑞富房地產開發有限公司 | 03 January 2014 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 重慶富力嘉盛房地產開發有限公司 | 28 January 2014 | Limited liability company | RMB794,540,000 | – | 100% | – | Property development in the PRC |
| 上海眾弘置業發展有限公司 | 24 September 2013 | Limited liability company | RMB100,000,000 | – | 100% | – | Property development in the PRC |
| 廣州市東富有經濟發展有限公司 | 09 August 2001 | Limited liability company | RMB10,000,000 | 100% | – | – | Property development in the PRC |
| 天津市錦堂大酒店有限公司 | 26 July 2013 | Limited liability company | RMB30,000 | – | 100% | – | Property development in the PRC |
| 山西永紅盛置業有限公司 | 14 September 2012 | Limited liability company | RMB10,000,000 | – | 90% | 10% | Property development in the PRC |
| **Subsidiaries – incorporated in Hong Kong:** | | | | | | | |
| R&F Properties (HK) Company Limited | 25 August 2005 | Limited liability company | HKD10,000 | 100% | – | – | Investment holding in Hong Kong |
| **Subsidiaries – incorporated in British Virgin Islands (BVI):** | | | | | | | |
| R&F Properties (BVI) Co., Ltd. | 31 March 2006 | Limited liability company | USD1 | – | 100% | – | Investment holding in BVI |
| Palace View Investments Limited | 21 March 2006 | Limited liability company | USD1 | – | 100% | – | Investment holding in BVI |
| Maxview Investments Limited | 3 April 2006 | Limited liability company | USD50,000 | – | 100% | – | Investment holding in BVI |
| General Light Investments Limited | 5 July 2011 | Limited liability company | USD1 | – | 100% | – | Investment holding in BVI |
| Value Success Limited | 1 September 2006 | Limited liability company | USD10,000 | – | 100% | – | Investment holding in BVI |
| Big Will Investments Limited | 02 November 2007 | Limited liability company | USD50,000 | – | 100% | – | Investment holding in BVI |
| Caifu Holdings Limited | 02 January 2013 | Limited liability company | USD50,000 | – | 100% | – | Investment holding in BVI |
| Trillion Chance Limited | 31 October 2013 | Limited liability company | USD1 | – | 100% | – | Investment holding in BVI |
| **Subsidiaries – incorporated in Malaysia:** | | | | | | | |
| R&F Development SDN BHD | 29 November 2013 | Limited liability company | MYR 500,000 | – | 100% | – | Property development in Malaysia |
| R&F Mega Realty SDN BHD | 27 January 2014 | Limited liability company | MYR 2 | – | 100% | – | Property development in Malaysia |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. INVESTMENTS IN SUBSIDIARIES (Continued)

| Company name | Date of incorporation/ establishment | Legal status | Issued/registered and fully paid up capital | Attributable equity interests | | Equity interests held by non-controlling interests | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | | |
| **Subsidiaries – incorporated in Australia:** | | | | | | | |
| R&F Property Pty Ltd. | 15 June 2014 | Limited liability company | AUD100 | – | 90% | 10% | Property development in Australia |
| R&F Estate Pty Ltd. | 07 July 2014 | Limited liability company | AUD100 | – | 90% | 10% | Property development in Australia |
| R&F Mega Property Pty Ltd. | 14 July 2014 | Limited liability company | AUD100 | – | 90% | 10% | Property development in Australia |
| R&F Mega Realty Pty Ltd. | 14 July 2014 | Limited liability company | AUD100 | – | 90% | 10% | Property development in Australia |
| R&F Mega Estate Pty Ltd. | 23 September 2014 | Limited liability company | AUD100 | – | 90% | 10% | Property development in Australia |
| R&F Development Holdings | 30 May 2014 | Limited liability company | AUD1 | – | 100% | – | Investment holdings in Australia |
| **Subsidiaries – incorporated in Singapore:** | | | | | | | |
| R&F Development PTE LTD | 17 April 2014 | Limited liability company | SGD 1 | – | 100% | – | Marketing development in Singapore |

| Structured entity | Principal activities |
|---|---|
| The Company's Employee Share Trust | Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees |

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administrating and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The accumulated non-controlling interests as at 31 December 2014 were RMB531,785,000 (2013: RMB375,207,000). The non-controlling interests in respect of each subsidiary are not material to the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 11. INTERESTS IN JOINT VENTURES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **4,258,931** | 3,795,093 |
| Additions | **220,560** | 330,311 |
| Acquisition of remaining interests in a joint venture (Note a) | **(34,108)** | (216,795) |
| Share of results | **172,136** | 357,253 |
| Elimination of unrealised profits | **–** | (6,931) |
| At 31 December | **4,617,519** | 4,258,931 |

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **912,840** | 586,540 |
| Additions | **220,560** | 326,300 |
| At 31 December | **1,133,400** | 912,840 |

(a) The Group acquired the remaining interests in Value Success Investments Limited ("Value Success") in 2014, making it a wholly-owned subsidiary of the Group.

(b) As at 31 December 2014, the Group's interests in joint ventures, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2014 was RMB172,136,000 (2013: RMB357,253,000). The joint ventures listed below have share capital consisting solely of registered capital.

| Name of entity | Place of business/country of incorporation | % of ownership interests held at 31 December 2014 | |
|---|---|---|---|
| | | **Direct** | **Indirect** |
| 廣州市富景房地產開發有限公司(“廣州富景”) | the PRC | 33.34% | – |
| 天津津南新城房地產開發有限公司(“津南新城”) | the PRC | – | 25% |
| 天津和安房地產開發有限公司 | the PRC | – | 25% |
| Hines Shanghai New Jiangwan Development Co., Ltd. ("Hines Shanghai") | Cayman Islands | – | 50% |
| 上海城投悦城置業有限公司(“上海悦城”) | the PRC | – | 50% |
| 廣州市森華房地產有限公司(“森華房地產”) | the PRC | 50% | – |
| 貴州大西南房地產開發有限公司(“貴州大西南”) | the PRC | 60% | – |
| 廣州市騰順投資有限公司(“騰順投資”) | the PRC | 45% | – |
| 廣西富雅投資有限公司(“廣西富雅”) | the PRC | 50% | – |
| 深圳市悦盈投資管理有限公司 | the PRC | 50% | – |
| 和榮有限公司(“和榮”) | BVI | – | 25% |
| Charm Talent Limited ("Charm Talent") | Hong Kong | – | 25% |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 11. INTERESTS IN JOINT VENTURES (Continued)

(c) Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.

## 12. INTERESTS IN ASSOCIATES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **122,600** | 179,843 |
| Share of results | **(30,772)** | (50,222) |
| Dividends received from an associate | **(5,615)** | (7,021) |
| At 31 December | **86,213** | 122,600 |

(a) As at 31 December 2014, the Group's interests in associates, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both the loss from continuing operations and total comprehensive loss of these associates for the year ended 31 December 2014 was RMB30,772,000 (2013: RMB50,222,000). The associates listed below have share capital consisting solely of registered capital.

| Name of entity | Place of business/country of incorporation | % of ownership interest held at 31 December 2014 Direct | Indirect |
|---|---|---|---|
| 北京富盛利房地產經紀有限公司 | the PRC | – | 30% |
| 廣州利合房地產開發有限公司(“廣州利合”) | the PRC | 20% | – |
| 北京粵商投資股份有限公司 | the PRC | – | 22% |
| 廣州盛安創富投資管理有限公司(“盛安創富”) | the PRC | 20% | – |

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| At 1 January | **281,400** | 224,000 | **228,900** | 224,000 |
| Additions | **22,500** | 67,200 | **–** | 14,700 |
| Fair value gains/(losses) recognised as other comprehensive income | **231,577** | (9,800) | **231,577** | (9,800) |
| At 31 December | **535,477** | 281,400 | **460,477** | 228,900 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Unlisted securities: | | | | |
| – Unlisted equity investments | **445,777** | 214,200 | **445,777** | 214,200 |
| – Unlisted private funds | **89,700** | 67,200 | **14,700** | 14,700 |
| | **535,477** | 281,400 | **460,477** | 228,900 |

The carrying amounts of the Group's available-for-sale financial assets as at 31 December 2014 and 2013 are denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying amounts of the available-for-sale financial assets.

None of these financial assets is either past due or impaired (2013: Nil).

## 14. PROPERTIES UNDER DEVELOPMENT

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Amount comprises: | | |
| Land use rights | **57,514,275** | 38,521,161 |
| Construction costs and capitalised expenditures | **18,458,654** | 15,261,912 |
| Financed costs capitalised | **5,354,762** | 2,328,026 |
| | **81,327,691** | 56,111,099 |

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| Amount comprises: | | |
| Land use rights | **2,855,057** | 3,410,538 |
| Construction costs and capitalised expenditures | **1,641,447** | 1,084,308 |
| Financed costs capitalised | **707,397** | 430,573 |
| | **5,203,901** | 4,925,419 |

The Group made payments for land use rights of RMB8,450,017,000 as at 31 December 2014 (2013: RMB11,265,265,000), for which the Group was in the process of applying for formal land use rights certificates.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 14. PROPERTIES UNDER DEVELOPMENT (Continued)

The Company made payments for land use rights of RMB204,675,000 as at 31 December 2014 (2013: RMB813,244,000), for which the Company was in the process of applying for formal land use rights certificates.

The capitalisation rate used to determine the amount of borrowing costs (Note 33) eligible for capitalisation is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Capitalisation rate | **7.96%** | 8.82% | **6.59%** | 6.81% |

Properties under development pledged as collateral is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Properties under development (Note 26) | **20,461,480** | 8,360,956 | **173,085** | 1,388,225 |

## 15. COMPLETED PROPERTIES HELD FOR SALE

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Land use rights | **4,620,807** | 2,468,099 |
| Construction costs and capitalised expenditures | **11,675,575** | 8,152,327 |
| Finance costs capitalised | **925,734** | 372,450 |
| | **17,222,116** | 10,992,876 |

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| Land use rights | **352,969** | 277,994 |
| Construction costs and capitalised expenditures | **1,017,599** | 948,471 |
| Finance costs capitalised | **155,076** | 114,024 |
| | **1,525,644** | 1,340,489 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 15. COMPLETED PROPERTIES HELD FOR SALE (Continued)

Completed properties held for sale pledged as collateral for borrowings is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Completed properties held for sale (Note 26) | **1,325,493** | 285,489 | **32,674** | 73,510 |

## 16. INVENTORIES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Construction materials | **341,634** | 280,114 |
| Inventories for hotel operations | **17,197** | 17,806 |
| | **358,831** | 297,920 |

## 17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Trade receivables-net (Note (a)) | **4,823,718** | 4,638,551 | **607,667** | 389,577 |
| Other receivables-net (Note (b)) | **4,717,407** | 3,202,860 | **2,669,709** | 2,090,122 |
| Prepayments (Note (c)) | **1,373,880** | 3,170,441 | **241,796** | 152,688 |
| Due from subsidiaries (Note (d)) | **–** | – | **4,460,039** | 7,699,756 |
| Due from joint ventures (Note 43 (xi)) | **1,709,230** | 1,561,563 | **388,878** | 318,877 |
| Due from an associate (Note 43 (xi)) | **2,039,377** | 2,039,377 | **2,039,377** | 2,039,377 |
| Total | **14,663,612** | 14,612,792 | **10,407,466** | 12,690,397 |
| Less: non-current portion | **(3,772,884)** | (1,450,024) | **(2,534,373)** | (384,188) |
| Current portion | **10,890,728** | 13,162,768 | **7,873,093** | 12,306,209 |

The carrying amounts of trade and other receivables approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

### (a) Trade receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Trade receivables – current portion | **4,688,168** | 4,640,369 | **596,989** | 390,599 |
| Less: allowance for impairment | **(1,818)** | (1,818) | **(1,022)** | (1,022) |
| | **4,686,350** | 4,638,551 | **595,967** | 389,577 |
| Trade receivables – non-current portion | **137,368** | – | **11,700** | – |
| | **4,823,718** | 4,638,551 | **607,667** | 389,577 |

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of current portion of trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| 0 to 90 days | **2,981,140** | 3,307,354 | **505,625** | 329,883 |
| 91 to 180 days | **272,507** | 231,697 | **34,340** | 2,921 |
| 181 to 365 days | **897,737** | 338,733 | **22,013** | 21,576 |
| 1 year to 2 years | **201,356** | 495,724 | **5,356** | 5,206 |
| Over 2 years | **335,428** | 266,861 | **29,655** | 31,013 |
| | **4,688,168** | 4,640,369 | **596,989** | 390,599 |

Trade receivables are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Fully performing under credit terms | **4,681,816** | 4,475,936 | **607,667** | 389,577 |
| Past due but not impaired | **141,902** | 162,615 | **–** | – |
| Non-performing and impaired | **1,818** | 1,818 | **1,022** | 1,022 |
| Trade receivables | **4,825,536** | 4,640,369 | **608,689** | 390,599 |
| Less: allowance for impairment | **(1,818)** | (1,818) | **(1,022)** | (1,022) |
| Trade receivables – net | **4,823,718** | 4,638,551 | **607,667** | 389,577 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

### (a) Trade receivables (Continued)

As at 31 December 2014, trade receivables of RMB1,818,000 (2013: RMB1,818,000) were impaired with full allowance for impairment. The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations. The ageing analysis of these trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Over 2 years | **1,818** | 1,818 | **1,022** | 1,022 |

For past due but not impaired receivables, the Group has the right to cancel the sale contracts and take over the legal title of the underlying properties for re-sale. Therefore, the directors consider that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2014 (2013: Nil). The ageing analysis of these trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| 1 year to 2 years | **–** | 61,461 | **–** | – |
| Over 2 years | **141,902** | 101,154 | **–** | – |
| | **141,902** | 162,615 | **–** | – |

Movements on the allowance for impairment of trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| At 1 January | **1,818** | 1,818 | **1,022** | 1,022 |
| Reversal of allowance for doubtful debts (Notes 31 and 38) | **–** | – | **–** | – |
| At 31 December | **1,818** | 1,818 | **1,022** | 1,022 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

### (b) Other receivables

Other receivables are analysed as below:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Performing under normal business | **4,717,407** | 3,202,860 | **2,669,709** | 2,090,122 |
| Non-performing and impaired | **52,181** | 42,490 | **4,415** | 4,273 |
| Other receivables | **4,769,588** | 3,245,350 | **2,674,124** | 2,094,395 |
| Less: allowance for impairment | **(52,181)** | (42,490) | **(4,415)** | (4,273) |
| Other receivables – net | **4,717,407** | 3,202,860 | **2,669,709** | 2,090,122 |

Movements on the allowance for impairment of other receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| At 1 January | **42,490** | 33,012 | **4,273** | 4,597 |
| Allowance for doubtful debts (Notes 31 and 38) | **27,021** | 21,812 | **243** | 343 |
| Reversal of allowance for doubtful debts (Notes 31 and 38) | **(17,330)** | (12,334) | **(101)** | (667) |
| At 31 December | **52,181** | 42,490 | **4,415** | 4,273 |

**(c)** Prepayments mainly represent prepayments for acquisitions of land use rights and prepayments for purchases of construction materials.

**(d)** The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

**(e)** The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | **2014** | 2013 |
|---|---|---|
| RMB | **13,276,264** | 11,442,351 |
| AUD | **7** | – |
| MYR | **13,318** | – |
| SGD | **143** | – |
| | **13,289,732** | 11,442,351 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 18. RESTRICTED CASH

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Guarantee deposits for construction of pre-sold properties (Note (a)) | **5,185,277** | 3,683,549 | **887,762** | 450,258 |
| Guarantee deposits for resettlement costs (Note (b)) | **116,982** | 11,250 | **9,634** | 10,925 |
| Guarantee deposits for construction payables (Note (c)) | **60,115** | 120,774 | **–** | 2,979 |
| Guarantee deposits for borrowings | **–** | 2,325,655 | **–** | 961,700 |
| Guarantee deposits for mortgage loans provided to customers (Note (d)) | **25,816** | 21,132 | **–** | – |
| Guarantee deposits for interest of senior notes (Note (e)) | **549,831** | 382,009 | **–** | – |
| Others (Note (f)) | **401,476** | 77,804 | **923** | 22,477 |
| | **6,339,497** | 6,622,173 | **898,319** | 1,448,339 |

(a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.

(c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.

(d) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

(e) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after payment of interest.

(f) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 18. RESTRICTED CASH (Continued)

The restricted cash is denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| RMB | **5,789,656** | 6,310,665 | **898,319** | 1,425,863 |
| HKD | **–** | 22,792 | **–** | 22,476 |
| USD | **549,841** | 288,716 | **–** | – |
| | **6,339,497** | 6,622,173 | **898,319** | 1,448,339 |

The directors of the Group are of the view that the restricted cash listed above will be released within one year.

## 19. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Cash at bank and on hand | **13,490,425** | 17,722,162 | **597,861** | 3,087,307 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Denominated in: | | | | |
| – RMB | **13,065,930** | 15,676,718 | **575,592** | 3,080,727 |
| – USD | **347,094** | 1,998,701 | **1,786** | 1,001 |
| – MYR | **41,033** | 6,713 | **–** | – |
| – HKD | **26,698** | 40,030 | **20,483** | 5,579 |
| – AUD | **9,393** | – | **–** | – |
| – SGD | **277** | – | **–** | – |
| | **13,490,425** | 17,722,162 | **597,861** | 3,087,307 |

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

## 20. SHARE CAPITAL

| | Number of shares (thousands) | Share capital |
|---|---|---|
| **At 31 December 2014 and 2013** | | |
| – domestic shares | 2,207,109 | 551,777 |
| – H shares* | 1,015,258 | 253,815 |
| | 3,222,367 | 805,592 |

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited. The share premium related to H shares is shown in Note 22.

As at 31 December 2014 and 2013, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

## 21. RETAINED EARNINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Balance at 1 January | **27,129,554** | 21,476,124 | **2,846,977** | 2,480,725 |
| Profit for the year | **5,220,603** | 7,633,860 | **2,442,460** | 2,346,682 |
| Dividends | **(1,600,499)** | (1,980,430) | **(1,600,499)** | (1,980,430) |
| Balance at 31 December | **30,749,658** | 27,129,554 | **3,688,938** | 2,846,977 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 22. OTHER RESERVES

### The Group

| | Share premium | Available-for-sale financial assets | Statutory reserves | Translation reserves | Others | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | 3,636,625 | 175,834 | 539,144 | – | – | 4,351,603 |
| Fair value losses of available-for-sale financial assets, net of tax | – | (7,350) | – | – | – | (7,350) |
| **Balance at 31 December 2013** | 3,636,625 | 168,484 | 539,144 | – | – | 4,344,253 |
| **Balance at 1 January 2014** | 3,636,625 | 168,484 | 539,144 | – | – | 4,344,253 |
| Fair value gains of available-for-sale financial assets, net of tax | – | 173,683 | – | – | – | 173,683 |
| Currency translation differences | – | – | – | 5,810 | – | 5,810 |
| Gains on disposals of shares held for Share Award Scheme | – | – | – | – | 15,076 | 15,076 |
| **Balance at 31 December 2014** | 3,636,625 | 342,167 | 539,144 | 5,810 | 15,076 | 4,538,822 |

### The Company

| | Share premium | Available-for-sale financial assets | Statutory reserves | Others | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2013** | 3,636,625 | 175,834 | 539,144 | – | 4,351,603 |
| Fair value losses of available-for-sale financial assets, net of tax | – | (7,350) | – | – | (7,350) |
| **Balance at 31 December 2013** | 3,636,625 | 168,484 | 539,144 | – | 4,344,253 |
| **Balance at 1 January 2014** | 3,636,625 | 168,484 | 539,144 | – | 4,344,253 |
| Fair value gains of available-for-sale financial assets, net of tax | – | 173,683 | – | – | 173,683 |
| Gains on disposals of shares held for Share Award Scheme | – | – | – | 15,076 | 15,076 |
| **Balance at 31 December 2014** | 3,636,625 | 342,167 | 539,144 | 15,076 | 4,533,012 |

(a) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries are required to transfer an amount of their net profits as reported in their statutory accounts for the statutory reserve funds until the accumulated balance of such funds reaches 50% of their registered capital.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 22. OTHER RESERVES (Continued)

(b) Depending on the natures, the statutory reserve funds can be used to set of accumulated losses of the subsidiaries or distribute to the owners in form of bonus issue.

(c) Share premium arising from the issue of H shares (Note 20) can be utilised for increasing paid-in capital as approved by the directors.

## 23. SHARES HELD FOR SHARE AWARD SCHEME

| | Group and Company | |
|---|---|---|
| | **2014** | 2013 |
| **Balance at 1 January** | **172,563** | 167,364 |
| Shares purchased for Share Award Scheme | **–** | 5,199 |
| Disposals of shares | **(43,852)** | – |
| **Balance at 31 December** | **128,711** | 172,563 |

On 23 August 2011, a Share Award Scheme (the "Scheme") was approved and adopted by the Board of Directors of the Company. The Share Award Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 31 December 2014, 21,370,000 H shares (31 December 2013: 28,650,800 H shares) held by the Group were recorded as 'Shares held for Share Award Scheme' within a component of equity.

## 24. PERPETUAL CAPITAL INSTRUMENTS

| | **2014** | 2013 |
|---|---|---|
| At 1 January | **1,000,000** | – |
| Additions | **14,543,912** | 1,000,000 |
| Profit attributable to holders of perpetual capital instruments | **1,331,328** | – |
| Distributions to holders of perpetual capital instruments | **(1,226,824)** | – |
| At 31 December | **15,648,416** | 1,000,000 |

In 2014, certain wholly-owned subsidiaries of the Company issued subordinated perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregate principal amount of RMB14,543,912,000 (31 December 2013: RMB 1,000,000,000).

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledges of the shares of the subsidiaries. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 25. ACCRUALS AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Amounts due to subsidiaries (Note (a)) | **–** | – | **19,597,316** | 16,323,865 |
| Amounts due to joint ventures (Notes (a) and 43 (xi)) | **1,801,864** | 2,546,634 | **51,643** | 1,097,566 |
| Construction payables (Note (b)) | **10,498,573** | 8,751,317 | **956,313** | 1,136,889 |
| Other payables and accrued charges (Note (c)) | **7,141,741** | 7,080,040 | **485,431** | 1,518,911 |
| Total | **19,442,178** | 18,377,991 | **21,090,703** | 20,077,231 |
| Less: non-current portion | **(171,222)** | (596,257) | **(171,222)** | (596,257) |
| Current portion | **19,270,956** | 17,781,734 | **20,919,481** | 19,480,974 |

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Non-current** | | | | |
| Long-term borrowings | | | | |
| Bank borrowings (Note (a)) | | | | |
| – Secured | **28,833,786** | 24,062,632 | **5,230,800** | 5,458,000 |
| – Unsecured | **5,327,900** | 4,524,000 | **1,550,000** | 2,122,000 |
| | **34,161,686** | 28,586,632 | **6,780,800** | 7,580,000 |
| Corporate bonds (Note (b)) | | | | |
| – Unsecured | **–** | 5,498,933 | **–** | 5,498,933 |
| Senior notes (Note (c)) | | | | |
| – Secured | **11,987,708** | 8,521,961 | **–** | – |
| Other borrowings (Note (d)) | | | | |
| – Secured | **16,268,944** | 15,143,577 | **576,270** | 576,270 |
| – Unsecured | **2,050,000** | 1,000,000 | **500,000** | 500,000 |
| | **18,318,944** | 16,143,577 | **1,076,270** | 1,076,270 |
| Finance lease liabilities (Note (e)) | | | | |
| – Secured | **105,332** | 147,189 | **–** | – |
| Less: current portion of long-term borrowings | **(19,020,068)** | (15,545,778) | **(1,893,770)** | (7,178,933) |
| | **45,553,602** | 43,352,514 | **5,963,300** | 6,976,270 |
| **Current** | | | | |
| Short-term borrowings | | | | |
| Bank borrowings (Note (a)) | | | | |
| – Secured | **–** | 2,080,535 | **–** | – |
| – Unsecured | **377,000** | 469,000 | **–** | – |
| | **377,000** | 2,549,535 | **–** | – |
| Other borrowings (Note (d)) | | | | |
| – Unsecured | **2,708,000** | – | **–** | – |
| | **3,085,000** | 2,549,535 | **–** | – |
| Current portion of long-term borrowings | **19,020,068** | 15,545,778 | **1,893,770** | 7,178,933 |
| Total borrowings | **67,658,670** | 61,447,827 | **7,857,070** | 14,155,203 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS (Continued)

### (a) Bank borrowings

Interest rates on the borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

**(i)** Movements in bank borrowings are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| At 1 January | **31,136,167** | 19,222,080 | **7,580,000** | 4,229,000 |
| Additions | **16,612,827** | 20,404,895 | **1,335,000** | 5,135,000 |
| Acquisition of a subsidiary | **1,921,400** | 200,000 | **–** | – |
| Repayments | **(15,185,655)** | (8,705,231) | **(2,134,200)** | (1,784,000) |
| Amortisation of transaction costs | **53,947** | 14,423 | **–** | – |
| At 31 December | **34,538,686** | 31,136,167 | **6,780,800** | 7,580,000 |

**(ii)** The maturity of bank borrowings is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Within one year | **7,343,431** | 8,455,235 | **1,317,500** | 1,680,000 |
| Between one and two years | **11,382,610** | 7,332,041 | **2,946,800** | 1,558,000 |
| Between two and five years | **11,536,448** | 11,732,780 | **2,516,500** | 4,342,000 |
| Over five years | **4,276,197** | 3,616,111 | **–** | – |
| Total bank borrowings | **34,538,686** | 31,136,167 | **6,780,800** | 7,580,000 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Wholly repayable within 5 years | **28,270,439** | 25,286,056 | **6,780,800** | 7,580,000 |
| Wholly repayable after 5 years | **6,268,247** | 5,850,111 | **–** | – |
| Total bank borrowings | **34,538,686** | 31,136,167 | **6,780,800** | 7,580,000 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS (Continued)

### (a) Bank borrowings (Continued)

**(iii)** The carrying amounts of bank borrowings are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| RMB | **34,538,686** | 30,221,632 | **6,780,800** | 7,580,000 |
| USD | **–** | 914,535 | **–** | – |
| | **34,538,686** | 31,136,167 | **6,780,800** | 7,580,000 |

**(iv)** Interest is charged based on floating rates on outstanding principals and the weighted average effective interest rates at the balance sheet date are as follows:

| | **2014** | 2013 |
|---|---|---|
| RMB bank borrowings – floating rates | **6.76%** | 6.66% |
| USD bank borrowings – floating rates | **–** | 2.85% |

**(v)** The carrying amounts and fair value of the non-current bank borrowings are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Carrying amounts | | Fair values | |
| | **2014** | 2013 | **2014** | 2013 |
| Bank borrowings | **27,195,255** | 22,680,932 | **27,707,850** | 22,712,741 |

| | Company | | | |
|---|---|---|---|---|
| | Carrying amounts | | Fair values | |
| | **2014** | 2013 | **2014** | 2013 |
| Bank borrowings | **5,463,300** | 5,900,000 | **5,548,001** | 5,925,226 |

The carrying amounts of non-current bank borrowings approximate their fair values as all such bank borrowings are at floating interest rates. The fair values are based on cash flows discounted at the borrowing rate of 6.03% (2013: 6.50%) and are within level 2 of the fair value hierarchy.

The carrying amounts of short-term bank borrowings approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS (Continued)

### (b) Corporate bonds

The Company issued 55,000,000 bonds at a par value of RMB5.5 billion in the PRC on 23 October 2009. The bonds were listed on the Shanghai Stock Exchange on 12 November 2009.

On 23 October 2014 (the "Maturity Date"), the Company, redeemed the corporate bonds in full at a redemption price equal to 100% of the principal amount of the corporate bonds outstanding thereof which amounted to RMB5.5 billion plus the accrued and unpaid interest of RMB 317,832,000 as of the Maturity Date.

The movements of the bonds are set out below:

| | Group and Company | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **5,498,933** | 5,497,684 |
| Interest charged (Note 33) | **318,899** | 394,499 |
| Interest included in other payables | **(317,832)** | (393,250) |
| Redemption | **(5,500,000)** | – |
| At 31 December | **–** | 5,498,933 |

### (c) Senior notes

#### (i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 7% senior notes due 29 April 2014 in the aggregate nominal value of RMB2,612,000,000 and 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at face value (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB3,527,947,000.

On 29 April 2014 (the "Maturity Date"), Big Will, redeemed the 7% senior notes due that date in full at a redemption price equal to 100% of the principal amount of the 2011 Senior Notes outstanding thereof which amounted to RMB2,612,000,000 plus the accrued and unpaid interest of RMB 91,420,000 as of the Maturity Date.

#### (ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at the redemption date.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS (Continued)

### (c) Senior notes (Continued)

#### (iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at face value (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes").

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

#### (iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of equity interests of certain guarantors, which are offshore subsidiaries.

The effective interest rate of senior notes ranged from 8.87% to 12.25%.

The movements of senior notes are set out below:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **8,521,961** | 4,948,275 |
| Issuance of the 2014 Notes | **5,991,541** | – |
| Issuance of the 2013 Notes | **–** | 3,708,031 |
| Redemption of the 2011 Notes | **(2,612,000)** | – |
| Interest charged (Note 33) | **1,198,121** | 791,052 |
| Interest included in other payables | **(1,151,817)** | (742,548) |
| Exchange losses/(gains) | **39,902** | (182,849) |
| At 31 December | **11,987,708** | 8,521,961 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS (Continued)

### (c) Senior notes (Continued)

The carrying amounts of senior notes are denominated in the following currencies:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| RMB | **–** | 2,606,317 |
| USD | **11,987,708** | 5,915,644 |
| | **11,987,708** | 8,521,961 |

The fair value of the senior notes as at 31 December 2014 amounted to RMB11,704,025,000 (2013: RMB8,976,323,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2014, the last trading date of 2014, and is within level 1 of the fair value hierarchy.

### (d) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

One of the Trustees is managed by 盛安創富, which is an associate of the Company and certain directors of the Company are also the minority shareholders.

The effective interest rate of these funding arrangements ranged from 7.07% to 12.33%.

The movements of other borrowings are set out below:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **16,143,577** | 5,777,935 |
| Additions | **6,346,000** | 14,798,000 |
| Acquisition of a subsidiary | **–** | 318,000 |
| Repayments | **(1,509,779)** | (4,754,000) |
| Interest charged (Note 33) | **1,955,715** | 1,052,539 |
| Interest included in other payables | **(1,908,569)** | (1,048,897) |
| At 31 December | **21,026,944** | 16,143,577 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS (Continued)

### (d) Other borrowings (Continued)

The maturity of other borrowings is as follows.

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Within one year | **14,715,959** | 1,491,479 | **576,270** | – |
| Between one and two years | **3,968,000** | 11,558,000 | **500,000** | – |
| Between two and five years | **2,342,985** | 3,094,098 | **–** | 1,076,270 |
| Total other borrowings | **21,026,944** | 16,143,577 | **1,076,270** | 1,076,270 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Wholly repayable within 5 years | **21,026,944** | 16,143,577 | **1,076,270** | 1,076,270 |

The carrying amounts of other borrowings approximate their fair values.

### (e) Finance lease liabilities

In April 2012, a subsidiary of the Company (the "Lessee") entered into an aircraft rental agreement with an independent third party under a financial lease (the "Arrangement"). Under the Arrangement, the Lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. At the maturity date of the lease, the Lessee has an option to purchase the aircraft for a consideration of RMB94,830,000.

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Gross finance lease liabilities – minimum lease payments | | |
| No later than 1 year | **50,222** | 50,222 |
| Later than 1 year and no later than 5 years | **62,779** | 113,001 |
| | **113,001** | 163,223 |
| Future finance charges on finance leases | **(7,669)** | (16,034) |
| Present value of finance lease liabilities | **105,332** | 147,189 |
| The present value of finance lease liabilities is as follows: | | |
| No later than 1 year | **45,677** | 43,349 |
| Later than 1 year and no later than 5 years | **59,655** | 103,840 |
| | **105,332** | 147,189 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 26. BORROWINGS (Continued)

(f) As at 31 December 2014, bank and other borrowings totalling RMB45,102,730,000 (2013: RMB41,286,744,000) of the Group and RMB5,807,070,000 (2013: RMB6,034,270,000) of the Company were secured by the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Land use rights (Note 6) | **581,083** | 582,136 | **72,399** | 74,657 |
| Property, plant and equipment (Note 7) | **4,309,544** | 4,070,513 | **1,305,901** | 868,751 |
| Investment properties (Note 8) | **6,853,499** | 10,921,305 | **826,733** | 118,625 |
| Properties under development (Note 14) | **20,461,480** | 8,360,956 | **173,085** | 1,388,225 |
| Completed properties held for sale (Note 15) | **1,325,493** | 285,489 | **32,674** | 73,510 |
| Restricted cash (Note 18) | **–** | 2,325,655 | **–** | 961,700 |
| Equity interests in subsidiaries | **2,859,000** | 2,627,000 | **–** | – |
| | **36,390,099** | 29,173,054 | **2,410,792** | 3,485,468 |

The majority of unsecured bank borrowings and other borrowings are supported by guarantees issued by the Company or subsidiaries of the Group. Details are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Guarantors | | | | |
| The Company | **6,254,900** | 2,971,000 | **–** | – |
| Subsidiaries | **1,214,000** | 446,000 | **1,214,000** | 446,000 |
| | **7,468,900** | 3,417,000 | **1,214,000** | 446,000 |

## 27. TAX PREPAYMENTS

Details of tax prepayments are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Enterprise income tax prepayments | **417,417** | 348,020 | **29,801** | 1,645 |
| Land appreciation tax prepayments | **975,129** | 530,056 | **50,534** | 9,083 |
| Business tax prepayments | **1,156,344** | 772,431 | **74,112** | 5,835 |
| Other tax prepayments | **2,962** | 5,735 | **–** | – |
| | **2,551,852** | 1,656,242 | **154,447** | 16,563 |

Tax prepayments are calculated based on certain percentage of cash received from pre-sale of properties.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 28. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Deferred tax assets: | | |
| – To be recovered after 12 months | **2,030,293** | 2,439,991 |
| – To be recovered within 12 months | **897,471** | 777,897 |
| | **2,927,764** | 3,217,888 |
| Deferred tax liabilities: | | |
| – To be recovered after 12 months | **(2,687,843)** | (2,920,832) |
| – To be recovered within 12 months | **(591,065)** | (668,870) |
| | **(3,278,908)** | (3,589,702) |
| Deferred tax liabilities – net | **(351,144)** | (371,814) |

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| Deferred tax assets: | | |
| – To be recovered after 12 months | **5,109** | 6,827 |
| – To be recovered within 12 months | **84,238** | 177,091 |
| | **89,347** | 183,918 |
| Deferred tax liabilities: | | |
| – To be recovered after 12 months | **–** | (76,317) |
| – To be recovered within 12 months | **–** | (37,798) |
| | **–** | (114,115) |
| Deferred tax assets – net | **89,347** | 69,803 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 28. DEFERRED INCOME TAX (Continued)

The gross movements on the deferred income tax account are as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **(371,814)** | (84,174) |
| Income statement credits/(charges) (Note 34) | **78,564** | (290,090) |
| Tax (charges)/credits relating to components of other comprehensive income (Note 34) | **(57,894)** | 2,450 |
| At 31 December | **(351,144)** | (371,814) |

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **69,803** | 62,997 |
| Income statement credits | **77,438** | 4,356 |
| Tax (charges)/credits relating to components of other comprehensive income | **(57,894)** | 2,450 |
| At 31 December | **89,347** | 69,803 |

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(All amounts in RMB Yuan thousands unless otherwise stated)

## 28. DEFERRED INCOME TAX (Continued)

**Deferred tax liabilities:**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Timing difference in sales recognition and related cost of sales | Fair value of investment properties over the tax bases | Revaluation gain arising from business combinations | Revaluation of available-for-sale financial assets | Interest capitalisation and others | Total |
| At 1 January 2013 | 444,224 | 2,144,450 | 118,560 | 40,178 | 33,293 | 2,780,705 |
| Charged/(credited) to the income statement | 224,646 | 604,119 | (17,318) | – | – | 811,447 |
| Charged to other comprehensive income | – | – | – | (2,450) | – | (2,450) |
| At 31 December 2013 | 668,870 | 2,748,569 | 101,242 | 37,728 | 33,293 | 3,589,702 |
| Charged/(credited) to the income statement | (77,805) | 412,613 | (754) | – | 216,397 | 550,451 |
| Credited to other comprehensive income | – | – | – | 57,894 | – | 57,894 |
| At 31 December 2014 | 591,065 | 3,161,182 | 100,488 | 95,622 | 249,690 | 4,198,047 |

| | Company | | | | |
|---|---|---|---|---|---|
| | Timing difference in sales recognition and related cost of sales | Fair value of investment properties over the tax bases | Revaluation of available-for-sale financial assets | Others | Total |
| At 1 January 2013 | 20,744 | 31,830 | 40,178 | 4,986 | 97,738 |
| Charged to the income statement | 17,054 | 1,773 | – | – | 18,827 |
| Credited to other comprehensive income | – | – | (2,450) | – | (2,450) |
| At 31 December 2013 | 37,798 | 33,603 | 37,728 | 4,986 | 114,115 |
| Charged/(credited) to the income statement | 44,713 | (6,357) | – | – | 38,356 |
| Charged to other comprehensive income | – | – | 57,894 | – | 57,894 |
| At 31 December 2014 | 82,511 | 27,246 | 95,622 | 4,986 | 210,365 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 28. DEFERRED INCOME TAX (Continued)

**Deferred tax assets:**

| | Group | | | | |
|---|---|---|---|---|---|
| | **Accruals** | **Tax losses** | **Unrealised profit on intra-group transactions** | **Others** | **Total** |
| At 1 January 2013 | 2,173,545 | 298,352 | 189,575 | 35,059 | 2,696,531 |
| Credited to the income statement | 374,782 | 94,287 | 32,727 | 19,561 | 521,357 |
| At 31 December 2013 | 2,548,327 | 392,639 | 222,302 | 54,620 | 3,217,888 |
| Credited to the income statement | 161,404 | 323,841 | 140,463 | 3,307 | 629,015 |
| At 31 December 2014 | 2,709,731 | 716,480 | 362,765 | 57,927 | 3,846,903 |

| | Company | | |
|---|---|---|---|
| | **Accruals** | **Others** | **Total** |
| At 1 January 2013 | 159,330 | 1,405 | 160,735 |
| Credited/(charged) to the income statement | 23,264 | (81) | 23,183 |
| At 31 December 2013 | 182,594 | 1,324 | 183,918 |
| Credited to the income statement | 115,759 | 35 | 115,794 |
| At 31 December 2014 | 298,353 | 1,359 | 299,712 |

As at 31 December 2014, deferred income tax assets of RMB919,139,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2013: Nil).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB 233,375,000 (2013: RMB155,023,000) in respect of losses amounting to RMB 1,414,396,000 (2013: RMB 939,531,000) that can be carried forward against future taxable income. Losses amounting to RMB83,201,000 (2013: RMB109,275,000) and RMB163,465,000 (2013: RMB92,744,000) expire in 2015 and 2016 respectively.

## 29. CURRENT INCOME TAX LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Land appreciation tax liabilities | **7,576,877** | 7,430,374 | **719,698** | 643,750 |
| Income tax liabilities | **2,512,353** | 2,241,293 | **176,110** | – |
| | **10,089,230** | 9,671,667 | **895,808** | 643,750 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 30. OTHER GAINS – NET

| | **2014** | 2013 |
|---|---|---|
| Fair value gains on investment properties-net (Notes 8 and 38) | **1,638,174** | 2,436,203 |
| Interest income (Note 38) | **211,760** | 151,684 |
| Dividends received on available-for-sale financial assets (Note 38) | **–** | 2,595 |
| Gains on disposals of investment properties (Note 38) | **3,394** | 406 |
| Gains on disposals of property, plant and equipment (Note 38) | **14,859** | 2,995 |
| Others | **56,911** | 50,537 |
| | **1,925,098** | 2,644,420 |

## 31. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

| | **2014** | 2013 |
|---|---|---|
| **Crediting** | | |
| Reversal of allowance for doubtful debts (Notes 17 and 38) | **(17,330)** | (12,334) |
| **Charging** | | |
| Cost of completed properties sold | **19,997,339** | 19,634,964 |
| Business taxes and other levies | **2,094,171** | 2,185,818 |
| Employee benefit expenses (Note 32) | **1,172,432** | 945,736 |
| Depreciation (Notes 7 and 38) | **388,178** | 280,649 |
| Advertising costs | **269,457** | 211,641 |
| Amortisation of land use rights and intangible assets (Note 38) | **84,525** | 51,577 |
| Office expenses | **194,644** | 135,291 |
| Operating lease payments | **14,320** | 32,128 |
| Allowance for doubtful debts (Notes 17 and 38) | **27,021** | 21,812 |
| Auditors' remuneration | **10,246** | 9,397 |
| Others | **1,272,988** | 1,004,339 |
| | **25,525,321** | 24,513,352 |
| | **25,507,991** | 24,501,018 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 32. EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses, including Directors' and Supervisors' emoluments, are as follows:

| | **2014** | 2013 |
|---|---|---|
| Wages and salaries | **903,614** | 711,361 |
| Retirement scheme contributions | **202,663** | 178,797 |
| Other allowances and benefits | **66,155** | 55,578 |
| | **1,172,432** | 945,736 |

### (a) Directors' and Chief Executive's emoluments

The remuneration of every Director and the Chief Executive for the year ended 31 December 2014 is set out below:

| **Name of Director** | **Salary** | **Other benefits (Note (ii))** | **Total** |
|---|---|---|---|
| Executive Directors | | | |
| Mr. Li Sze Lim | **2,660** | **676** | **3,336** |
| Mr. Zhang Li (Note (i)) | **2,660** | **676** | **3,336** |
| Mr. Zhou Yaonan | **3,525** | **236** | **3,761** |
| Mr. Lu Jing | **3,105** | **274** | **3,379** |
| Non-executive Directors | | | |
| Ms. Zhang Lin | **371** | **–** | **371** |
| Ms. Li Helen | **371** | **–** | **371** |
| Independent non-executive Directors | | | |
| Mr. Huang Kaiwen | **360** | **–** | **360** |
| Mr. Dai Feng (resigned on 28 February 2014) | **49** | **–** | **49** |
| Mr. Lai Ming Joseph | **295** | **–** | **295** |
| Mr. Zheng Ercheng (appointed on 30 May 2014) | **172** | **–** | **172** |

The remuneration of every Director and the Chief Executive for the year ended 31 December 2013 is set out below:

| **Name of Director** | **Salary** | **Other benefits (Note (ii))** | **Total** |
|---|---|---|---|
| Executive Directors | | | |
| Mr. Li Sze Lim | 2,660 | 676 | 3,336 |
| Mr. Zhang Li (Note (i)) | 2,660 | 676 | 3,336 |
| Mr. Zhou Yaonan | 3,105 | 236 | 3,341 |
| Mr. Lu Jing | 2,605 | 274 | 2,879 |
| Non-executive Directors | | | |
| Ms. Zhang Lin | 373 | – | 373 |
| Ms. Li Helen | 373 | – | 373 |
| Independent non-executive Directors | | | |
| Mr. Huang Kaiwen | 360 | – | 360 |
| Mr. Dai Feng (resigned on 28 February 2014) | 297 | – | 297 |
| Mr. Lai Ming Joseph | 297 | – | 297 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 32. EMPLOYEE BENEFIT EXPENSES (Continued)

### (b) Supervisors' emoluments

The remuneration of every Supervisor for the year ended 31 December 2014 is set out below:

| Name of Supervisor | Salary |
|---|---|
| Mr. Chen Liangnuan | **72** |
| Ms. Liang Yingmei | **72** |
| Mr. Zheng Ercheng (resigned on 30 May 2014) | **36** |
| Mr. Zhao Xianglin (appointed on 16 September 2014) | **14** |

The remuneration of every Supervisor for the year ended 31 December 2013 is set out below:

| Name of Supervisor | Salary |
|---|---|
| Mr. Chen Liangnuan | 64 |
| Ms. Liang Yingmei | 66 |
| Mr. Zheng Ercheng | 66 |

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any director (2013: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable of the five (2013: Five) individuals during the year are as follows:

| | 2014 | 2013 |
|---|---|---|
| Salaries | **60,756** | 81,757 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 32. EMPLOYEE BENEFIT EXPENSES (Continued)

### (c) Five highest paid individuals (Continued)

The emolument of the individual fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2014** | 2013 |
| Emolument bands | | |
| HKD10,000,001 to HKD10,500,000 | **1** | – |
| HKD10,500,001 to HKD11,000,000 | **1** | – |
| HKD11,000,001 to HKD11,500,000 | **–** | 1 |
| HKD12,000,001 to HKD12,500,000 | **–** | 1 |
| HKD13,000,001 to HKD13,500,000 | **–** | 1 |
| HKD13,500,001 to HKD14,000,000 | **1** | – |
| HKD15,500,001 to HKD16,000,000 | **–** | 1 |
| HKD19,500,001 to HKD20,000,000 | **1** | – |
| HKD22,000,001 to HKD22,500,000 | **1** | – |
| HKD50,000,001 to HKD50,500,000 | **–** | 1 |

Note:

(i) Mr. Zhang Li is also the Chief Executive of the Company.

(ii) Other benefits mainly include welfare and transportation expenses.

(iii) No directors or Supervisors of the Company waived or agreed to waive any remuneration for the year ended 31 December 2014 (2013: Nil).

(iv) During the year, no emolument was paid by the Group to any of the above directors or supervisors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

## 33. FINANCE COSTS

| | **2014** | 2013 |
|---|---|---|
| Interest expenses: | | |
| – bank borrowings | **2,319,584** | 1,636,749 |
| – corporate bonds (Note 26 (b)) | **318,899** | 394,499 |
| – senior notes (Note 26 (c)) | **1,198,121** | 791,052 |
| – other borrowings (Note 26 (d)) | **1,955,715** | 1,052,539 |
| – finance lease liabilities | **8,366** | 11,123 |
| | **5,800,685** | 3,885,962 |
| Net foreign exchange losses/(gains) | **301,545** | (88,029) |
| Less: finance costs capitalised | **(4,886,309)** | (1,864,191) |
| | **1,215,921** | 1,933,742 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 34. INCOME TAX EXPENSES

| | 2014 | 2013 |
|---|---|---|
| Current income tax | | |
| – PRC enterprise income tax (Note (b)) | 2,446,005 | 2,587,798 |
| Deferred income tax (Note 28) | (78,564) | 290,090 |
| | 2,367,441 | 2,877,888 |
| Current PRC land appreciation tax (Note (c)) | 1,282,556 | 2,348,293 |
| Total income tax expenses (Note (d)) | 3,649,997 | 5,226,181 |

### (a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2013: Nil).

### (b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the year ended 31 December 2014, except for certain companies in the Group which were taxed at 2%-3% (2013: 2.5%-3.5%) on their revenue, other businesses within the Group were primarily taxed at 25% (2013: 25%) on their profits.

### (c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

### (d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

| | 2014 | 2013 |
|---|---|---|
| Profit before income tax | 10,156,386 | 12,871,829 |
| Less: land appreciation tax | (1,282,556) | (2,348,293) |
| | 8,873,830 | 10,523,536 |
| Calculated at tax rate of 25% (2013: 25%) | 2,218,458 | 2,630,884 |
| Effects of: | | |
| – Different income tax rates of certain companies | (2,399) | (23,071) |
| – Share of results of joint ventures and associates | (36,146) | (76,588) |
| – Expenses and development costs not deductible for tax purposes | 282,469 | 326,279 |
| – Others | (94,941) | 20,384 |
| PRC enterprise income tax | 2,367,441 | 2,877,888 |
| Land appreciation tax | 1,282,556 | 2,348,293 |
| Tax charge (Note 38) | 3,649,997 | 5,226,181 |

## 34. INCOME TAX EXPENSES (Continued)

### (e) The tax (charges)/credits relating to components of other comprehensive income are as follows:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Before tax** | **Tax credit** | **After tax** | Before tax | Tax charge | After tax |
| Fair value gains/(losses) of available-for-sale financial assets (Note 28) | **231,577** | **(57,894)** | **173,683** | (9,800) | 2,450 | (7,350) |

## 35. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB2,442,460,000 (2013: RMB2,346,682,000).

## 36. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to owners of the Company | **5,220,603** | 7,633,860 |
| Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands) | **3,198,005** | 3,194,058 |
| Earnings per share (RMB per share) | **1.6325** | 2.3900 |

There were no dilutive potential ordinary shares as at 31 December 2014 and 2013.

## 37. DIVIDENDS

| | **2014** | 2013 |
|---|---|---|
| No interim dividends (2013: RMB0.12 per ordinary share) | **–** | 386,684 |
| Less: Dividends of RMB for shares held for Share Award Scheme | **–** | (3,438) |
| | **–** | 383,246 |
| No final dividends proposed (2013: RMB0.50 per ordinary share) | **–** | 1,611,184 |
| Less: Dividends for shares held for Share Award Scheme | **–** | (14,325) |
| | **–** | 1,596,859 |
| | **–** | 1,980,105 |

No interim dividend in respect of the six months ended 30 June 2014 was proposed by the Board of Directors (six months ended 30 June 2013: RMB386,684,000).

(All amounts in RMB Yuan thousands unless otherwise stated)

## 37. DIVIDENDS (Continued)

A final dividend in respect of 2013 of RMB0.5 per ordinary share, totalling RMB1,611,184,000 was declared in the Company's Annual General Meeting on 29 May 2014, of which RMB10,685,000 was declared and paid for shares held by Share Award Scheme.

No final dividend in respect of 2014 was proposed by the Board of Directors.

The aggregate amounts of the dividends paid and proposed during 2014 and 2013 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

## 38. CASH GENERATED FROM OPERATIONS

| | **2014** | 2013 |
|---|---|---|
| Profit for the year | **6,506,389** | 7,645,648 |
| Adjustments for: | | |
| – Tax (Note 34) | **3,649,997** | 5,226,181 |
| – Interest income (Note 30) | **(211,760)** | (151,684) |
| – Finance costs (Note 33) | **1,215,921** | 1,933,742 |
| – Depreciation (Notes 7 and 31) | **388,178** | 280,649 |
| – Amortisation of land use rights and intangible assets (Note 31) | **84,525** | 51,577 |
| – Gain on disposal of a subsidiary | **–** | (500) |
| – Gains on disposals of property, plant and equipment (Note 30) | **(14,859)** | (2,995) |
| – Gains on disposals of investment properties (Note 30) | **(3,394)** | (406) |
| – Goodwill disposed for sale of properties, charged to cost of sales (Note 9) | **3,269** | 9,163 |
| – Allowance for doubtful debts (Notes 17 and 31) | **27,021** | 21,812 |
| – Reversal of allowance for doubtful debts (Notes 17 and 31) | **(17,330)** | (12,334) |
| – Share of results of joint ventures | **(169,789)** | (357,253) |
| – Share of results of associates | **25,205** | 50,901 |
| – Fair value gains on investment properties-net (Notes 8 and 30) | **(1,638,174)** | (2,436,203) |
| – Dividends received on available-for-sale financial assets (Note 30) | **–** | (2,595) |
| – Elimination of unrealised profits | **–** | 6,931 |
| Operating profit before changes in working capital | **9,845,199** | 12,262,634 |
| Changes in working capital: | | |
| – Properties under development and completed properties held for sale | **(26,868,248)** | (16,970,950) |
| – Trade receivables | **(185,167)** | (1,628,816) |
| – Other receivables, deposits and prepayments | **409,273** | (2,212,993) |
| – Restricted cash | **(1,712,284)** | 89,997 |
| – Deposits received on sale of properties | **5,447,833** | 612,687 |
| – Accruals and other payables | **822,078** | 2,885,742 |
| – Business tax payables | **(165,834)** | 69,461 |
| Net cash and cash equivalents used in operations | **(12,407,150)** | (4,892,238) |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 38. CASH GENERATED FROM OPERATIONS (Continued)

In the statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

| | 2014 | 2013 |
|---|---|---|
| Net book amount (Note 7) | 10,534 | 2,962 |
| Gains on disposals of property, plant and equipment (Note 30) | 14,859 | 2,995 |
| Proceeds from disposals of property, plant and equipment | 25,393 | 5,957 |

In the statement of cash flows, proceeds from disposals of investment properties comprise:

| | 2014 | 2013 |
|---|---|---|
| Net book amount (Note 8) | 38,048 | 577 |
| Gains on disposal of investment properties (Note 30) | 3,394 | 406 |
| Proceeds from disposals of investment properties | 41,442 | 983 |

## 39. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group and the Company as at 31 December 2014 are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a)) | 18,438,122 | 16,424,379 | 3,360,743 | 3,944,495 |
| Guarantees for borrowings of subsidiaries (Note (b)) | – | – | 6,254,900 | 2,971,000 |
| Guarantees in respect of borrowings of joint ventures and an associate (Notes (c)) | 3,894,686 | 2,754,336 | 3,090,065 | 1,430,240 |
| | 22,332,808 | 19,178,715 | 12,705,708 | 8,345,735 |

Note:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) The balance represents guarantees provided to subsidiaries of the Group to obtain borrowings. The directors consider that the fair value of these contracts at the date of inception was minimal and understand the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

(c) The balance represents the maximum exposure of the guarantee provided for joint ventures and an associate for their borrowings.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 40. COMMITMENTS

### (a) Expenditure commitments

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Authorised but not contracted for | **8,314,109** | 11,277,421 |
| Contracted but not provided for | **27,291,273** | 27,908,661 |
| | **35,605,382** | 39,186,082 |

### (b) Operating lease commitments

As at 31 December 2014, the Group and the Company had future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| No later than one year | **34,449** | 30,504 |
| Later than one year and no later than five years | **55,825** | 27,964 |
| Over five years | **56,901** | 61,929 |
| | **147,175** | 120,397 |

## 41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 30 June 2014, the Company disposed of 25% of equity interests in 廣州天禧 (a previously wholly-owned subsidiary) at a consideration of RMB200,277,000 to a third party without change in control. There is no gain or loss from this disposal.

## 42. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

As at 31 December 2014, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| No later than one year | **750,879** | 699,610 | **101,497** | 105,643 |
| Later than one year and no later than five years | **1,339,177** | 1,108,343 | **98,730** | 123,253 |
| Over five years | **826,835** | 504,815 | **11,820** | 10,660 |
| | **2,916,891** | 2,312,768 | **212,047** | 239,556 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 43. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr Li Sze Lim and Mr Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

### i) Provision of lease of properties

| | **2014** | 2013 |
|---|---|---|
| Common shareholders: | | |
| 廣州金貝殼投資有限公司(“廣州金貝殼”) | **1,333** | 1,394 |
| A joint venture: | | |
| 廣州市富景房地產開發有限公司(“廣州富景”) | **87** | – |

### ii) Drinking water system charges

| | **2014** | 2013 |
|---|---|---|
| Common shareholders: | | |
| 廣州越富環保科技有限公司 | **1,065** | 429 |

### iii) Key management compensation

| | **2014** | 2013 |
|---|---|---|
| Salaries and welfare benefits | **34,073** | 30,383 |

### iv) Provision of property management services

| | **2014** | 2013 |
|---|---|---|
| A joint venture: | | |
| 津南新城 | **6,301** | – |

### v) Provision of decoration services

| | **2014** | 2013 |
|---|---|---|
| Joint ventures: | | |
| 廣州富景 | **52,607** | – |
| 貴州大西南 | **6,000** | – |
| | **58,607** | – |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 43. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

### vi) Provision of construction services

| | 2014 | 2013 |
|---|---|---|
| Joint ventures: | | |
| 廣州富景 | 42,955 | – |
| 津南新城 | 8,243 | – |
| | 51,198 | – |

### vii) Purchase of installation services

| | 2014 | 2013 |
|---|---|---|
| Controlled by an immediate family member of the major shareholder: | | |
| 廣州恆量機電工程有限公司 | 11,109 | 9,879 |

### viii) Provision of design services

| | 2014 | 2013 |
|---|---|---|
| Joint ventures: | | |
| 津南新城 | 2,789 | – |
| 廣州富景 | 2,328 | 35,824 |
| 廣西富雅 | 2,337 | – |
| 貴州大西南 | 943 | – |
| | 8,397 | 35,824 |

### ix) Lease of an aircraft under operating lease

| | 2014 | 2013 |
|---|---|---|
| Common shareholders: | | |
| Power Ease Investments Limited | 15,399 | 16,637 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 43. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

### x) Provision of guarantees for borrowings

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and an associate for project development purpose. As at 31 December 2014, the Group's guarantees for borrowings provided to its joint ventures and an associate are shown as follows:

**(a) Bank borrowings**

| | **2014** | 2013 |
|---|---|---|
| Joint ventures: | | |
| 廣州富景 | **76,360** | 199,718 |
| Hines Shanghai | **–** | 301,733 |
| 上海悅城 | **–** | 286,550 |
| 津南新城 | **206,085** | 57,000 |
| Charm Talent | **528,261** | 522,646 |
| 森華房地產 | **250,000** | – |
| | **1,060,706** | 1,367,647 |
| An associate: | | |
| 廣州利合 | **503,980** | 540,000 |
| | **1,564,686** | 1,907,647 |

**(b) Other borrowings**

| | **2014** | 2013 |
|---|---|---|
| A joint venture: | | |
| 上海悅城 | **600,000** | – |
| An associate: | | |
| 廣州利合 | **1,730,000** | 546,689 |
| | **2,330,000** | 546,689 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 43. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

### xi) Balances with related parties

As at 31 December 2014, the Group had the following significant balances with related parties:

| | **2014** | 2013 |
|---|---|---|
| Due from: | | |
| Joint ventures | | |
| – Non-trade balances | | |
| 津南新城 (Note (b)) | **1,133,176** | 835,607 |
| 森華房地產 (Note (c)) | **126,845** | 86,845 |
| 騰順投資 (Note (c)) | **118,205** | 90,552 |
| 貴州大西南 (Note (c)) | **141,480** | 141,480 |
| Hines Shanghai | **155,346** | – |
| 和榮 | **34,178** | – |
| Value Success (Note (a)) | **–** | 82,740 |
| 瀋陽億隆 (Note (a)) | **–** | 251,370 |
| 富力(瀋陽)(Note (a)) | **–** | 72,969 |
| | **1,709,230** | 1,561,563 |
| – Trade balances | | |
| 津南新城 | **2,956** | – |
| 瀋陽億隆 (Note (a)) | **–** | 105,214 |
| | **2,956** | 105,214 |
| An associate | | |
| – Non-trade balances | | |
| 廣州利合 (Note (c)) | **2,039,377** | 2,039,377 |
| | **3,751,563** | 3,706,154 |
| Due to: | | |
| Joint ventures | | |
| – Non-trade balances | | |
| 上海悦城 | **934,000** | 462,000 |
| 廣州富景 | **442,062** | 1,487,984 |
| 和榮 | **425,802** | 451,672 |
| Hines Shanghai | **–** | 144,978 |
| | **1,801,864** | 2,546,634 |

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and to be settled according to contract terms.

(a) The Group acquired the remaining interests in Value Success in 2014. The Group treats it and its subsidiaries as wholly-owned subsidiaries after the acquisition.

(b) It represents repayment of borrowings and construction costs paid by the Group on behalf of the joint venture.

(c) It represents prepayments for the purchases of land use rights and construction costs paid by the Group on behalf of the joint ventures and an associate.

(All amounts in RMB Yuan thousands unless otherwise stated)

## RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2014 in accordance with China Accounting Standards for Business Enterprises ("CAS"). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

| | Profit for the year ended 31 December | | Total equity as at 31 December | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| As stated in accordance with CAS | **6,508,070** | 7,651,916 | **52,083,117** | 33,417,909 |
| Impact of HKFRS adjustments: | | | | |
| 1. Amortisation of revaluation gain arising from business combinations | **(2,244)** | (8,357) | **61,451** | 63,703 |
| 2. Deferred taxation | **563** | 2,089 | **994** | 431 |
| As stated in accordance with HKFRS | **6,506,389** | 7,645,648 | **52,145,562** | 33,482,043 |

Note:

1. The Group adopted SSAP27 "Accounting for Group Reconstructions" for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" in November 2005. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.

2. It refers to the effects of deferred tax arising from the above adjustments.

(All amounts in RMB Yuan thousands)

## CONSOLIDATED BALANCE SHEET (AS AT 31 DECEMBER)

| | **2014** | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Non-current assets | **39,659,133** | 33,781,882 | 29,104,301 | 26,750,409 | 25,364,801 |
| Current assets | **132,181,140** | 106,565,240 | 69,482,909 | 57,408,475 | 52,052,104 |
| Total assets | **171,840,273** | 140,347,122 | 98,587,210 | 84,158,884 | 77,416,905 |
| Non-current liabilities | **49,003,732** | 47,538,473 | 31,200,661 | 20,649,437 | 22,823,936 |
| Current liabilities | **70,690,979** | 59,326,606 | 40,556,675 | 40,777,073 | 34,593,748 |
| Total liabilities | **119,694,711** | 106,865,079 | 71,757,336 | 61,426,510 | 57,417,684 |
| Total equity | **52,145,562** | 33,482,043 | 26,829,874 | 22,732,374 | 19,999,221 |

## CONSOLIDATED INCOME STATEMENT (YEAR ENDED 31 DECEMBER)

| | **2014** | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Revenue | **34,705,410** | 36,271,284 | 30,365,056 | 27,370,095 | 24,641,820 |
| Cost of sales | **(22,391,431)** | (22,036,298) | (17,986,776) | (15,954,244) | (15,348,632) |
| Gross profit | **12,313,979** | 14,234,986 | 12,378,280 | 11,415,851 | 9,293,188 |
| Other gains-net | **1,925,098** | 2,644,420 | 825,859 | 725,872 | 1,368,239 |
| Selling and marketing costs | **(896,059)** | (626,089) | (454,006) | (471,804) | (425,921) |
| Administrative expenses | **(2,220,501)** | (1,838,631) | (1,522,400) | (1,452,454) | (1,121,274) |
| Other operating income/(expenses) | **105,206** | 84,533 | – | (9,197) | (35,379) |
| Operating profit | **11,227,723** | 14,499,219 | 11,227,733 | 10,208,268 | 9,078,853 |
| Finance costs | **(1,215,921)** | (1,933,742) | (1,501,609) | (1,139,152) | (940,847) |
| Share of results of joint ventures | **169,789** | 357,253 | 402,974 | (19,131) | (20,544) |
| Share of results of associates | **(25,205)** | (50,901) | (87,333) | 118,218 | (47,220) |
| Profit before income tax | **10,156,386** | 12,871,829 | 10,041,765 | 9,168,203 | 8,070,242 |
| Income tax expense | **(3,649,997)** | (5,226,181) | (4,382,415) | (4,333,387) | (3,613,873) |
| Profit for the year | **6,506,389** | 7,645,648 | 5,659,350 | 4,834,816 | 4,456,369 |
| Attributable to: | | | | | |
| Holders of perpetual capital instruments | **1,331,328** | – | – | – | – |
| Owners of the Company | **5,220,603** | 7,633,860 | 5,501,979 | 4,841,650 | 4,350,593 |
| Non-controlling interests | **(45,542)** | 11,788 | 157,371 | (6,834) | 105,776 |

# PROPERTY LIST

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Properties for sale (under-development)** | | | | | | | |
| **China** | | | | | | | |
| **Guangzhou** | | | | | | | |
| R&F Jingang City (excluding Holiday Inn Guangzhou Airport Zone) | 100% | Modern Avenue, Huadu Town, Huadu District | Residential & Retail | 1,119,211 | 664,510 | 664,510 | Pending |
| Jingang City Huawei Co. Project | 100% | Modern Avenue, Huadu Town, Huadu District | Industrial & Storage | 142,571 | 187,299 | 187,299 | Pending |
| R&F Yingyao Plaza | 100% | Zone J2-5, Pearl River New Town, Tianhe District | Retail & Office | 7,918 | 123,784 | 123,784 | 2015 |
| R&F Spring World | 100% | Hot Spring Village, Hot Spring Town, Conghua City | Residential | 808,018 | 167,250 | 167,250 | 2016 |
| R&F Dongshan Xintiandi | 100% | Zhongshan First Road, Yuexiu District | Residential, Retail & Office | 44,288 | 271,214 | 271,214 | 2015 |
| Liede Project (exclding Conrad Hotel) | 33% | Liede Village, Liede Road, Tianhe District | Apartment, Retail & Office | 114,176 | 403,860 | 134,647 | 2015 |
| Asian Game City Project | 20% | Asia Game City, Panyu District | Residential & Retail | 2,639,520 | 3,555,733 | 711,147 | Pending |
| R&F Jinyu Garden | 100% | Zone F, Jinsha Zhou, Baiyun District | Residential | 101,355 | 59,705 | 59,705 | 2016 |
| R&F Tianhai Wan (Nansha Senhua Project) | 50% | West Industrial Zone, Nansha District | Residential | 83,222 | 233,022 | 116,511 | 2015 & 2016 |
| R&F Nansha Tangning | 100% | Jinsha Street, Nansha District | Residential | 99,641 | 99,348 | 99,348 | 2016 |
| Guangfa Securities Project | 40% | M1-5 Land,Pearl River New Town | Office | 6,463 | 157,990 | 63,196 | 2016 |
| Xingangdong Project | 100% | No.27 Xingangdong Road, Haizhu District | Residential | 16,235 | 20,188 | 20,188 | 2015 |
| Chebeibei Project | 75% | Wenming Road, Chebei Village, Tianhe District | Residential | 13,200 | 49,236 | 36,927 | 2016 |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Foshan** | | | | | | | |
| R&F Plaza | 100% | Renminqiao East, Chancheng District | Residential & Retail | 51,304 | 227,524 | 227,524 | Pending |
| **Zhuhai** | | | | | | | |
| R&F Yingkai Plaza | 100% | Fubang Road East, Hengqin District | Office & Retail | 11,466 | 100,000 | 100,000 | 2016 |
| **Huizhou** | | | | | | | |
| R&F Hot Spring Valley (excluding Hilton Huizhou Longmen Resort) | 100% | Maqiao Re Shui Village, Yonghan Town, Longmen County | Residential & Retail | 1,430,673 | 985,991 | 985,991 | Pending |
| R&F Bay Shore | 100% | Dapu Tun, Renshan Town, Rendong County | Residential & Retail | 1,318,673 | 1,851,854 | 1,851,854 | Pending |
| R&F Modern Plaza | 100% | Huibo Yan Jiang Exit, Luoyang Town, Boluo County | Residential & Retail | 79,167 | 139,646 | 139,646 | 2015 |
| **Meizhou** | | | | | | | |
| R&F City | 100% | Meixian New Town | Residential & Retail | 830,469 | 2,069,930 | 2,069,930 | Pending |
| **Hainan** | | | | | | | |
| R&F Bay Shore (excluding Marriot Hotel) | 100% | Zone B, Xiangshui Bay, Lingshui Town, Sanya | Residential & Retail | 1,702,993 | 445,181 | 445,181 | Pending |
| R&F Mangrove Bay (excluding Hilton Hotel) | 100% | Sanlin Exit, Huandao West Line High-way, Chengmai Town | Residential & Retail | 4,352,042 | 2,298,944 | 2,298,944 | Pending |
| R&F Moon Bay Shore | 100% | Moon Bay, Changli Town, Wenchang | Residential & Retail | 277,160 | 139,053 | 139,053 | Pending |
| R&F International Health City | 100% | Linlan Bay, Haikou | Residential & Retail | 586,240 | 531,920 | 531,920 | Pending |
| **Changsha and vicinity** | | | | | | | |
| Xiangjiang R&F City | 100% | Jiuhua District, Xiangtan | Residential & Retail | 1,325,817 | 3,298,639 | 3,298,639 | Pending |
| **Fuzhou** | | | | | | | |
| R&F Center | 100% | Taijiang District | Office | 69,817 | 292,056 | 292,056 | 2015 & 2016 |
| Jinshui Hu Project | 100% | Jinshui Hu | Residential, Hotel & Retail | 147,631 | 262,065 | 262,065 | Pending |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Chongqing** | | | | | | | |
| R&F City (excluding Holiday Inn University City Chongqing) | 100% | Xiyong Unit, Shaping Ba District | Residential & Retail | 1,981,995 | 4,332,039 | 4,332,039 | Pending |
| R&F Nanshan Mansion | 100% | No.99 Nanshan Road, Nanan District | Residential & Retail | 79,583 | 31,540 | 31,540 | Pending |
| R&F Bay Shore (Yubei Project) | 100% | Yubei District | Residential & Retail | 173,630 | 425,846 | 425,846 | Pending |
| **Chengdu** | | | | | | | |
| R&F Peach Garden | 100% | South of Zhenhai Du Road West, Xindu Town | Residential | 186,650 | 648,980 | 648,980 | Pending |
| **Guiyang** | | | | | | | |
| R&F Center | 60% | Chengxin Road | Office | 99,272 | 313,942 | 188,365 | 2015 & 2016 |
| **Shanghai and vicinity** | | | | | | | |
| R&F Bay Shore | 100% | West of Wanyuan Road, Dianshan Lake Town, Kunshan | Residential | 921,333 | 21,450 | 21,450 | Pending |
| R&F Peach Garden | 100% | Qingpu Industrial Zone, Qingpu District | Residential | 231,983 | 53,912 | 53,912 | Pending |
| R&F Jiayu Wan | 50% | New Jiangwan Town, Yangpu District | Residential, Retail, Office & Hotel | 142,664 | 113,689 | 56,845 | 2016 |
| R&F Hongqiao No.10 | 100% | No. 5 & 6 Land, Hongqiao District | Residential, Office & Retail | 106,318 | 249,568 | 249,568 | 2015 & 2016 |
| **Nanjing** | | | | | | | |
| R&F City | 100% | Qilin Science & Technology Parks, Jiangning District, Nanjing | Residential, Office & Hotel | 571,864 | 187,566 | 187,566 | 2015 & 2016 |
| R&F Shangyue Court | 100% | Banqiao Street, Yuhua District | Residential & Retail | 105,021 | 343,472 | 343,472 | 2015 & 2016 |
| **Hangzhou** | | | | | | | |
| R&F Xixi Resident | 100% | Future Technology City, Yuhang | Residential & Office | 177,632 | 321,055 | 321,055 | 2015 |
| R&F No.10 | 100% | No. 63 & 64 Land, Yuhang District | Residential & Retail | 58,280 | 78,480 | 78,480 | 2016 |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Wuxi** | | | | | | | |
| R&F No.10 | 100% | Taihu New Town | Residential & Retail | 111,261 | 215,400 | 215,400 | 2015 & 2016 |
| R&F City | 100% | Wuxi New District | Residential & Retail | 235,669 | 518,472 | 518,472 | Pending |
| **Beijing and vicinity** | | | | | | | |
| R&F Shengyue Court | 100% | No. 4, Yizhuang Old Dongong Station, Daxing District | Residential & Retail | 88,911 | 135,604 | 135,604 | Pending |
| R&F Golden Jubilee Garden | 100% | South of Xincheng Street, Tongzhou District | Residential | 73,050 | 228,676 | 228,676 | 2015 & 2016 |
| R&F Shangyue Court | 100% | Majuqiao Town, Tongzhou | Residential & Retail | 140,872 | 169,024 | 169,024 | 2015 |
| R&F New Town | 100% | East of Daxiang High-way, Jiangxin Tun Town, Xianghe County, Langfang City | Residential | 879,551 | 1,051,314 | 1,051,314 | Pending |
| R&F Tongzhou Yunhe No.10 | 100% | Core Area, Tongzhou District | Office & Apartment | 69,796 | 465,800 | 465,800 | Pending |
| R&F Huilan Meiju | 100% | Yongshun Town, Tongzhou District | Residential | 195,800 | 584,450 | 584,450 | 2015 & 2016 |
| **Tianjin** | | | | | | | |
| R&F Peach Garden | 100% | North of Lishuang Road, West of Weishan Road, Shuanggang Town, Jinnan District | Residential & Retail | 166,400 | 105,272 | 105,272 | 2016 |
| R&F Jinmen Lake | 100% | West of Youyi Nan Road, Hexi District | Residential | 930,932 | 719,360 | 719,360 | Pending |
| R&F Guangdong Building | 100% | South of Tuochang Road, West of Binhe Xi Road, Tanggu District | Office | 23,070 | 341,633 | 341,633 | Pending |
| Jinnan New Town Project | 25% | Xianshui Gu Town, Jinnan District | Residential, Retail, Office & Hotel | 1,289,227 | 2,650,165 | 662,541 | Pending |
| R&F New Town | 100% | Tuanbo Town, Jingan | Residential & Retail | 1,781,702 | 2,686,294 | 2,686,294 | Pending |
| R&F Shangyue Court | 100% | Wuqing District | Residential & Retail | 119,493 | 230,603 | 230,603 | 2015 & 2016 |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Xian** | | | | | | | |
| R&F City (excluding R&F Holiday Inn Xian) | 100% | South of North Ring Road, Chang'an District | Residential, Retail & Office | 381,814 | 72,383 | 72,383 | Pending |
| Bailu Wan Project | 100% | Fangzhi New Town, Baqiao District | Residential & Retail | 111,330 | 341,530 | 341,530 | 2015 & 2016 |
| **Taiyuan** | | | | | | | |
| R&F City | 100% | No. 3, Jinan East Street, Xinhua Ling District | Residential & Retail | 1,056,200 | 1,027,315 | 1,027,315 | Pending |
| R&F Modern Plaza | 100% | South of Donger Xiang, Yijing Xi Road, West of Heping Nan Road, Wanbolin District | Residential | 87,022 | 32,246 | 32,246 | Pending |
| R&F Peach Garden | 100% | No. 5, Jinan Dong Street, Xinghua Ling District | Residential | 195,827 | 144,778 | 144,778 | 2015 & 2016 |
| R&F Prosperous Palace | 100% | No. 9 Jiefang Road North | Residential & Retail | 237,601 | 735,351 | 735,351 | Pending |
| R&F Xiyue Court | 90% | Wufuying Village, Jinyuan District | Residential & Retail | 54,660 | 81,989 | 73,790 | Pending |
| **Datong** | | | | | | | |
| R&F City | 100% | South of Yunzhou Street, Datong City | Residential & Retail | 708,112 | 1,877,180 | 1,877,180 | Pending |
| **Harbin** | | | | | | | |
| R&F Jiangwan New Town | 100% | Youyi West Road, Daoli District | Residential, Retail & Hotel | 120,574 | 493,288 | 493,288 | Pending |
| R&F New Town | 100% | Songbei District | Residential & Retail | 399,198 | 832,500 | 832,500 | Pending |
| **Baotou** | | | | | | | |
| R&F City | 100% | Xindushi District | Residential, Office, Apartment & Retail | 426,911 | 1,463,510 | 1,463,510 | Pending |
| **Shenyang** | | | | | | | |
| R&F Royal Villa | 100% | Huangshan Village, Taoxian Town, Dongling District | Residential | 373,406 | 31,186 | 31,186 | Pending |
| R&F Shangyue Court | 100% | Oubo City, Dadong District | Residential & Retail | 96,553 | 231,727 | 231,727 | Pending |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Malaysia** | | | | | | | |
| **Johor Bahru** | | | | | | | |
| R&F Princess Cove | 100% | Jorhor Bahru, Malaysia | Residential, Office & Retail | 400,000 | 3,500,000 | 3,500,000 | Pending |
| **Properties for sale (under planning)** | | | | | | | |
| **Guangzhou** | | | | | | | |
| Baogang Road Project | 100% | No. 3 Baogang Road, Haizhu District | Residential & Retail | 4,031 | 43,400 | 43,400 | Pending |
| **Nanning** | | | | | | | |
| Wuxiangxin District Project | 50% | Wuxiangxin District | Residential | 78,721 | 332,213 | 166,106 | Pending |
| **Shanghai** | | | | | | | |
| Shanghai Hongqiao CBD | 100% | Shanghai Hongqiao CBD Pharse One | Retail & Office | 46,095 | 149,127 | 149,127 | Pending |
| **Wuxi** | | | | | | | |
| Wuxi New District Project | 100% | Wuxi New District | Residential & Retail | 53,178 | 133,061 | 133,061 | Pending |
| **Tianjin** | | | | | | | |
| Tianjin Liulinwai Project | 100% | Liulinwaihuan South Road, Tianjin | Residential & Retail | 46,666 | 32,566 | 32,566 | Pending |
| **Australia** | | | | | | | |
| **Melbourne** | | | | | | | |
| Johnson Street Project | 90% | 60-82 Johnson Street | Residential & Retail | 9,777 | 167,376 | 150,638 | Pending |
| Footscary Project | 90% | 124-188 Ballarat Road | Residential & Retail | 33,288 | 163,158 | 146,842 | Pending |
| **Brisbane** | | | | | | | |
| Codelia Street Project | 90% | 1 Cordelia Street | Residential & Retail | 4,583 | 77,501 | 69,751 | Pending |
| Kangaroo Point Project | 90% | 36, 38, 40-44, 48 Lambert Street and 67 Caims Street | Residential & Retail | 3,291 | 29,516 | 26,564 | Pending |
| West End Project | 90% | 3-9 Buchanan Street and Ponkin Street | Residential & Retail | 16,800 | 90,000 | 81,000 | Pending |
| **Properties for sale (Completed)** | | | | | | | |
| **Guangzhou** | | | | | | | |
| R&F Cambridge Terrace Shopping Mall | 100% | Dongguan Zhuang Road, Tianhe District | Retail | – | 42,993 | 42,993 | N/A |
| R&F West Garden Shopping Mall | 100% | Huanshi Xi Road, Liwan District | Retail | – | 3,570 | 3,570 | N/A |
| R&F King's Court (Commerical) | 100% | Xiaomei Street, Liwan District | Office | – | 9,184 | 9,184 | N/A |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| R&F Square (North Court) Shopping Mall | 100% | Zhongshan Eighth Road, Liwan District | Retail | – | 8,455 | 8,455 | N/A |
| R&F Children World | 100% | Zhongshan Eighth Road, Liwan District | Retail | – | 16,307 | 16,307 | N/A |
| R&F Square Zone B Shopping Mall | 100% | Zhongshan Eighth Road, Liwan District | Retail | – | 2,213 | 2,213 | N/A |
| R&F Modern Plaza – Jiaxin Commerical Center | 100% | Gexin Road, Haizhu District | Retail | – | 29,000 | 29,000 | N/A |
| R&F Center | 100% | Zone J, Pearl River New Town, Tianhe District | Office | 8,117 | 162,605 | 162,605 | 2007 |
| Grand Hyatt, Guangzhou | 100% | Zone F, Pearl River New Town, Tianhe District | Hotel | 10,291 | 114,498 | 114,498 | 2008 |
| The Ritz-Carlton, Guangzhou | 100% | Zone J, Pearl River New Town, Tianhe District | Hotel | 6,895 | 104,322 | 104,322 | 2008 |
| Holiday Inn Guangzhou Airport Zone | 100% | R&F Jingang City, Huadu District | Hotel | 4,405 | 37,826 | 37,826 | 2014 |
| R&F Haizhu City | 100% | Southwest of the Interchange of Jiangnan Xi Road and Jiangnan Avenue, Haizhu District | Retail | 18,000 | 50,000 | 50,000 | 2014 |
| **Beijing** | | | | | | | |
| Renaissance Beijing Capital Hotel | 100% | North of Guangqu Men Wai Street, Chaoyang District | Hotel | 43,703 | 120,349 | 120,349 | 2008 |
| Viva Beijing R&F Plaza | 100% | North of Guangqu Men Wai Street, Chaoyang District | Retail | – | 110,636 | 110,636 | 2008 |
| R&F Center | 100% | North of Guangqu Men Wai Street, Chaoyang District | Office | – | 59,600 | 59,600 | 2008 |
| Holiday Inn Express Temple of Heaven Beijing | 100% | No. 35 Court, Nanwei Road, Xuanwu District | Hotel | 6,190 | 22,302 | 22,302 | 2008 |
| **Tianjin** | | | | | | | |
| R&F Plaza | 100% | West of East Road, South of North Road, Nankai District | Retail | – | 42,669 | 42,669 | 2013 |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Chongqing** | | | | | | | |
| R&F Ocean Plaza (Retail) | 100% | Yanghe New Area, Guanyin Qiao Street, Jiangbei District | Retail | – | 72,675 | 72,675 | 2012 |
| Hyatt Regency, Chongqing | 100% | Yanghe New Area, Guanyin Qiao Street, Jiangbei District | Hotel | 16,137 | 46,439 | 46,439 | 2012 |
| **Chengdu** | | | | | | | |
| R&F Tianhui Mall | 100% | Shuncheng Street, Qingyang District | Retail | – | 254,626 | 254,626 | 2010 |
| The Ritz-Carlton, Chengdu | 100% | Shuncheng Street, Qingyang District | Hotel | – | 57,171 | 57,171 | 2013 |
| **Huizhou** | | | | | | | |
| Renaissance Huizhou Hotel | 100% | Yanjiang Economic Circle, Jiangbei New District | Hotel | 15,000 | 54,321 | 54,321 | 2012 |
| InterContinental Huizhou Resort | 100% | Hengli Town | Hotel | – | 52,000 | 52,000 | 2014 |
| **Properties for investment (under-development)** | | | | | | | |
| **Guangzhou** | | | | | | | |
| Park Hyatt, Guangzhou | 100% | Zone J, Pearl River New Town, Tianhe District | Hotel | 7,944 | 65,504 | 65,504 | 2015 |
| Conrad, Guangzhou | 33% | Liede Village, Liede Road, Tianhe District | Hotel | – | 39,446 | 13,151 | 2016 |
| **Hainan** | | | | | | | |
| Lingshui R&F Bay Shore Marriott & Yacht Club | 100% | Zone B, Xiangshuiwan, Lingshui County | Hotel | 50,000 | 75,837 | 75,837 | 2015 |
| Doubletree Resort by Hilton, Haikou-Chengmai | 100% | Sanlin Exit, Huandao West Line High-way, Chengmai Town | Hotel | – | 38,000 | 38,000 | 2015 |
| R&F Ocean Park | 100% | International Tourism Island, Lingshui County | Hotel, Travel & Retail | 666,667 | 200,000 | 200,000 | Pending |
| **Tianjin** | | | | | | | |
| Marriott Hotel, Tianjin | 100% | West of East Road, South of North Road, Nankai District | Hotel | 23,000 | 57,788 | 57,788 | Pending |

| Property | The Group's Interest (%) | Location | Use | Site Area (sq.m.) | Total GFA (sq.m.) | GFA held by the Group (sq.m.) | Expected Date of Completion |
|---|---|---|---|---|---|---|---|
| **Chongqing** | | | | | | | |
| Holiday Inn University City, Chongqing | 100% | Xiyong Unit, Shaping Ba District | Hotel | 30,893 | 67,612 | 67,612 | 2015 |
| **Huizhou** | | | | | | | |
| Hilton Huizhou Longmen Resort | 100% | Maqiao Re Shui Village, Yonghan Town, Longmen County | Hotel | – | 45,000 | 45,000 | 2015 |
| **Taiyuan** | | | | | | | |
| Pullman Taiyuan R&F Hotel ^ | 100% | Jinan East Road, Xinhualing District | Hotel | – | 41,000 | 41,000 | 2015 |
| **Properties for investment (under planning)** | | | | | | | |
| **Shanghai** | | | | | | | |
| Hyatt Place, Shanghai ^ | 100% | New Jiangwan City, Yangpu District | Hotel | – | 16,000 | 16,000 | Pending |
| **Xian** | | | | | | | |
| R&F Holiday Inn, Xian | 100% | Beihuan Road, Changan District | Hotel | 6,880 | 50,000 | 50,000 | Pending |
| **Harbin** | | | | | | | |
| The Ritz-Carlton, Harbin ^ | 100% | Youyi West Road, Daoli District, Harbin | Hotel | – | 67,000 | 67,000 | Pending |

Note: ^ GFA of the three hotels are included in the corresponding properties for sale

| | |
|---|---|
| **Executive Directors** | Li Sze Lim, Zhang Li, Zhou Yaonan, Lu Jing |
| **Non-executive Directors** | Zhang Lin, Li Helen |
| **Independent Non-executive Directors** | Huang Kaiwen, Lai Ming Joseph,<br>Dai Feng (resigned on 28 February 2014),<br>Zheng Ercheng (appointed on 31 May 2014) |
| **Supervisors** | Chen Liangnuan, Liang Yingmei,<br>Zheng Ercheng (resigned on 30 May 2014),<br>Zhao Xianglin (appointed on 16 September 2014) |
| **Authorized Representatives** | Li Sze Lim, Chow Oi Wah Fergus |
| **Company Secretary** | Chow Oi Wah Fergus |
| **Registered Office in the PRC** | 45-54/F., R&F Center,<br>No.10 Huaxia Road, Pearl River New Town,<br>Guangzhou 510623 PRC |
| **Principal Place of Business in the PRC** | 45-54/F., R&F Center,<br>No. 10 Huaxia Road, Pearl River New Town,<br>Guangzhou 510623 PRC |
| **Place of Business in Hong Kong** | Room 1103, Yue Xiu Building,<br>160-174 Lockhart Road, Wanchai, Hong Kong |
| **Auditor** | PricewaterhouseCoopers<br>22/F., Prince's Building, Central, Hong Kong |
| **Legal Advisor as to Hong Kong Law** | Sidley Austin<br>39/F., Two International Finance Centre,<br>8 Finance Street, Central, Hong Kong |
| **Hong Kong H share Registrar** | Computershare Hong Kong Investor Services Limited<br>17M/F., Hopewell Centre,<br>183 Queen's Road East, Wanchai, Hong Kong |
| **Website** | www.rfchina.com |

## SHAREHOLDERS' CALENDAR

| | |
|---|---|
| Interim results announcement | 26 August 2014 |
| Interim dividend paid | N/A |
| Final results announcement | 17 March 2015 |
| Closure of register of members (for Annual General Meeting) | 29 April to 29 May 2015 (both days inclusive) |
| Annual general meeting | 29 May 2015 |
| Final dividend payable date | N/A |

## LISTING INFORMATION

The Company's H shares were listed on The Stock Exchange of Hong Kong Limited on 14 July 2005.

**Stock Code**

| | |
|---|---|
| Hong Kong Stock Exchange | 2777 |
| Reuters | 2777.HK |
| Bloomberg | 2777HK |

**Board Lot Size** 400 shares

**Share Information**

| Year | Stock Price* High HK$ | Stock Price* Low HK$ |
|---|---|---|
| 2005 (from 14 July to 31 Dec) | 6.9375 | 2.7 |
| 2006 | 17.14 | 6.675 |
| 2007 | 45.6 | 12.8 |
| 2008 | 28.3 | 2.3 |
| 2009 | 18.98 | 5.31 |
| 2010 | 14.14 | 8.55 |
| 2011 | 12.54 | 5.48 |
| 2012 | 13.40 | 5.80 |
| 2013 | 16.28 | 9.89 |
| 2014 | 11.92 | 7.65 |

* 28 September 2006 — 4-for-1 share sub-division adjusted

廣州富力地產股份有限公司
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* for identification purpose only