

# 2014 Annual Report

**SS100** Sunshine 100 China Holdings Ltd

(Incorporated in the Cayman Islands with limited liability) Stock code : 2608





**SS100**

**Sunshine 100 China Holdings Ltd**  
**陽光100中國控股有限公司**

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# Corporate Information

## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Yi Xiaodi (*Chairman*)

Mr. Fan Xiaochong

### **Non-executive Directors**

Ms. Fan Xiaohua

Mr. Joseph Raymond Gagnon

(resigned on 10 September 2014)

### **Independent non-executive Directors**

Mr. Chen Jinsong

Mr. Gu Yunchang

Mr. Ng Fook Ai, Victor

## **AUDIT COMMITTEE**

Mr. Ng Fook Ai, Victor (*Chairman*)

Mr. Chen Jinsong

Mr. Gu Yunchang

## **REMUNERATION COMMITTEE**

Mr. Chen Jinsong (*Chairman*)

Mr. Fan Xiaochong

Mr. Gu Yunchang

## **NOMINATION COMMITTEE**

Mr. Yi Xiaodi (*Chairman*)

Mr. Chen Jinsong

Mr. Gu Yunchang

## **JOINT COMPANY SECRETARIES**

Dr. Ngai Wai Fung

Mr. Du Hongwei

## **COMPANY'S WEBSITE**

[www.ss100.com.cn](http://www.ss100.com.cn)

## **AUTHORISED REPRESENTATIVES**

Mr. Yi Xiaodi

Dr. Ngai Wai Fung

## **REGISTERED OFFICE**

190 Elgin Avenue

George Town, Grand Cayman

KY1-9005

Cayman Islands

## **HEAD OFFICE**

12th Floor, Tower D  
2 Guang Hua Street  
Beijing 100026  
PRC

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

18th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## **LEGAL ADVISER**

Allen & Overy

## **AUDITOR**

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

## **COMPLIANCE ADVISER**

Haitong International Capital Limited

## **PRINCIPAL BANKERS**

Agricultural Bank of China  
China Everbright Bank  
China Minsheng Banking Corp., Ltd  
Industrial Bank Co., Ltd.

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

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, PO Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

## **LISTING INFORMATION**

Place of listing:  
The Stock Exchange of Hong Kong Limited  
Stock code: 2608

# Honours and Awards



In May 2014, the Group was recognized as the “2014 China mainland real estate company TOP 10 listed in Hong Kong in terms of investment value ranking” and “2014 China mainland real estate company TOP 10 listed in Hong Kong in terms of EVA (Economic Value Added) ranking” by China Real Estate Top 10 Research.



In September 2014, the Group was recognized as the “2014 China commercial real estate company TOP 10 in terms of brand value”.

“China Real Estate TOP 10 Research”, which is formed by the Enterprise Research Institute of Development Research Centre of the State Council of China, the Institute of Real Estate Studies of the Tsinghua University and the China Index Academy, established an evaluation system for the operation scale, EVA, investment value and financial soundness of enterprises. The Research has begun its operation since 2003 and conducted evaluation for 12 years, the results of which has become one of the important standards for investors to assess the comprehensive strength of listed real estate companies in China and explore the investment opportunities in the securities market.



In June 2014, Mr. Yi Xiaodi, the Chairman and Chief Executive Officer of the Group, was awarded the “Special Promotion Award” on the 14th Venice International Architecture Biennale-parallelled with the first exhibition of Chinese Cities Hall.



In December 2014, the Group won the “Design ‘for the Promotion of Industry’ Excellent Services Brand Award” in the Beijing Design Week. The award acknowledges the Company’s design-centered core value and efforts in bringing innovative experience to customers.

# Chairman's Statement



I am pleased to present the business review and outlook of Sunshine 100 China Holdings Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) for 2014 to all the shareholders of the Company (the “**Shareholders**”).

## Results

In 2014, contracted sales of the Group increased by 25% to RMB6,667 million and revenue increased by 23% to RMB7,104 million. Due to the downward pressure on the property price in the real estate market and the increase in the proportion of residential property products with low gross profit margin delivered by the Group in the past year, the gross profit slightly decreased to RMB1,506 million, and gross profit margin slightly dropped to 21%. Profit attributable to equity shareholders during the year rose by 14% to RMB767 million.

## 2014 Business Review

In 2014, the Group kept abreast of the market dynamics of China's economy and the real estate industry. Based on our understanding of the current industry conditions and the future market trend, taking into account the Group's positioning and development status, the Group established an overall strategy focused on strengthening the development and investment of commercial properties, vigorously improving sales and accelerating sell-through rate, as well as proactively exploring products innovation and upgrade and further improving debt levels. Despite a volatile market environment and further intensified industry competition, the Group still achieved an overall sound growth in its 2014 results.

The Group's operation scale expanded steadily in 2014, further enhanced the economies of scale. Compared with 2013, the contracted sales, revenue and total assets all increased by over 20%, the gross floor area of newly-started construction increased by 7% and rental income from investment properties rose by 34%. Meanwhile, the Group implemented the sophisticated development strategy to continuously optimize its product structure, raising the proportion of commercial properties with high profitability. The contracted sales of commercial properties in 2014 increased by 116% as compared to 2013, with unit selling price up by 6%, accounting for 16% of the total contracted sales as compared to 9% in 2013; sales income for commercial properties increased by 54% as compared to 2013, with unit selling price increasing by 38%. In addition, the Group paid an aggregate amount of RMB1,794 million for multiple land acquisitions, approximately half of which was on street complex projects, including the consideration paid for the acquisition of Guangxi Liuzhou Yaobu Classic Town project, Jiangsu Yixing Dongjiu RBD Commercial Street Project, and Weifang Sunshine 100 City Plaza.

# Chairman's Statement

In 2014, the capital structure of the Group was improved and its debt ratio further decreased. Despite the slight increase of 8% in the amount of interest-bearing liabilities from RMB13,802 million at the end of 2013 to RMB14,841 million at the end of 2014 due to operation scale expansion, the overall financial risk of the Group decreased, with the debt to equity ratio (debt to equity ratio = net interest-bearing liabilities/total equity) decreasing significantly from 3.98 times at the end of 2013 to 2.09 times at the end of 2014. The overall ability to meet debt obligations when they fall due increased steadily, and cash and cash equivalent increased significantly by 110% as compared to 2013.

## **Business Outlook**

Looking ahead, the Chinese central government will continue to deepen the economic structural reform and make efforts to improve the quality and efficiency as the economy enters into a new phase of development under the “new normal”. The Group believes that the urbanization process in China is far from being completed. The cities’ prosperity and upgrading as well as the industry structure adjustment will continuously give rise to new market demand in the real estate industry. Meanwhile, the “Internet Thinking” will further influence and reshape the real estate sector and bring new impetus to the growth of the industry. In addition, environmental issues have increasingly become the focus of the society and various industries in the PRC, introducing new challenges as well as development opportunities to the industry players. Despite the intensified competition in the real estate industry across the nation, the Group expects to see opportunities and challenges co-exist in the market.

In 2015, the Group will focus on and adapt to the development trends in the real estate industry under the “new normal” of China’s economy, and capture new opportunities in the market and improve our competitiveness by leveraging on our property development capabilities acquired over the past two decades and our edges in respect of land scale and cost. On one hand, the Group plans to further increase our investment in, and development of, our core product, commercial street complex, in order to upgrade our product under our sales and market-oriented approach. We will also further optimize the subsequent operating system of the commercial complexes and develop a variety of anchor stores featuring small size, social networking function and stylish design to meet current market demands. On the other hand, the internet era has redefined the function and nature of residential communities. In order to cater for the young generation’s appetite for platforms of social resources sharing and based on the Sunshine 100 Community for Young White-collars we launched previously, the Group has developed a new category of social apartment — Sunshine 100 Phoenix Community targeting the young white-collar and start-up entrepreneurs. In the future, the Group will be dedicated to exploring and optimizing this product continuously, to extend its social function from online to offline with a view to creating a lifestyle which fits the new generation of urban elites. In response to the growing demand for environmental and health issues in the modern society, the Group will adhere to high standards in respect of construction and green technologies, and continue to promote and implement new healthy residential standards in our future products and build a “Life House” living platform which focuses on residents’ health and comfort. Meanwhile, the Group will vigorously facilitate



## Chairman's Statement

optimization of our sales force and innovation of marketing efforts, further improve the marketing incentive policy to mobilize our sales force and the power of the marketing team, and increase the profitability and achieve larger economies of scale continuously through the overall enhancement of our sales capabilities.

In the coming years, the Group will carry out operations and supervision with high efficiency and seek opportunities for strategic cooperation with external funds so as to achieve high turnover and economies of scale. In addition, we will also endeavor to further improve and optimize our corporate organization structure and management system in order to improve our overall operation capability and efficiency, realize differentiated competition and rapid growth, and seize the considerable opportunities arising from the function and consumption upgrades of the second, third-tier cities. Furthermore, the Group will be committed to bringing better returns the shareholders of the Company as well as the community by serving the needs of our customers, providing more competitive remuneration packages to our employees, seeking win-win cooperation with suppliers, and proactively fulfilling our social responsibilities as a corporate citizen.

Lastly, on behalf of the Board of Directors of the Company, I would like to express my sincere gratitude for the devotion of all the employees of the Group as well as the strong support from all the shareholders, customers and suppliers in the past year.

**Yi Xiaodi**

*Chairman and Executive Director*

27 March 2015

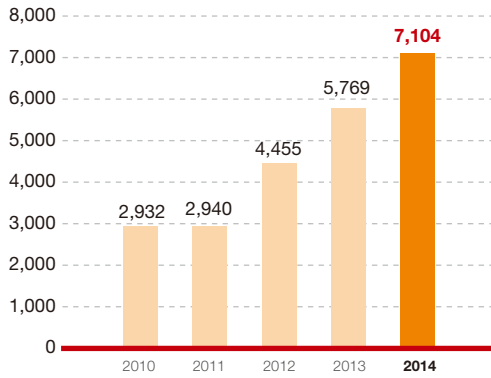
# Financial Summary

	For the year ended 31 December				
	2014 RMB million	2013 RMB million	2012 RMB million	2011 RMB million	2010 RMB million
Revenue	7,104	5,769	4,455	2,940	2,932
Gross profit	1,506	1,650	1,412	858	972
Profit before taxation	1,310	1,115	754	329	616
Income tax	(500)	(484)	(370)	(268)	(346)
Profit for the year	810	631	384	61	270
Profit for the year attributable to equity shareholders of the Company	767	672	301	24	162
Non-controlling interests	43	(41)	83	37	108
Total comprehensive income for the year	810	631	384	61	270

	As at 31 December				
	2014 RMB million	2013 RMB million	2012 RMB million	2011 RMB million	2010 RMB million
Total assets	35,071	27,903	22,510	19,699	15,861
Total liabilities	29,555	25,152	20,670	18,255	14,494
Net assets	5,516	2,751	1,840	1,444	1,367
Equity attributable to equity shareholders of the Company	4,620	1,992	1,320	1,013	979
Non-controlling interests	896	759	520	431	388
Total equity	5,516	2,751	1,840	1,444	1,367

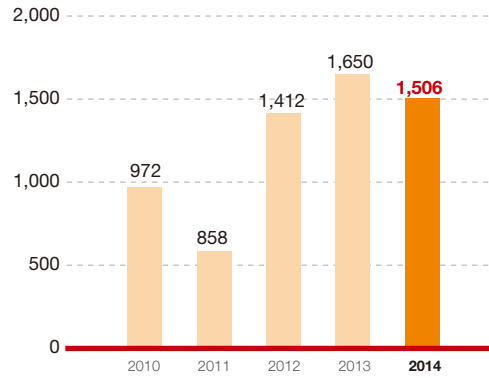
## Revenue

RMB million



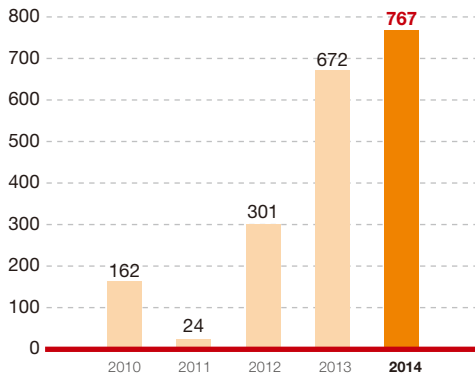
## Gross profit

RMB million



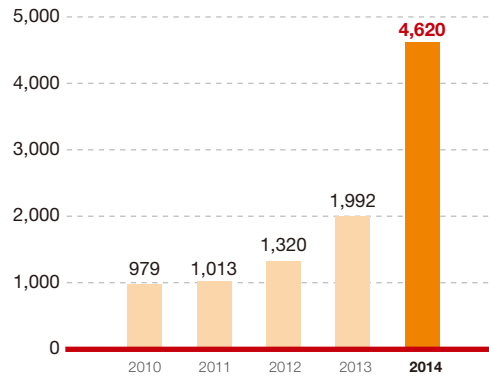
## Profit for the year attributable to equity shareholders of the Company

RMB million



## Equity attributable to equity shareholders of the Company

RMB million



# Management Discussion and Analysis



## MARKET OVERVIEW

In 2014, China's national economy developed stably despite a declining trend, with GDP increased by 7.4%. A significant adjustment was witnessed in the real estate market. In the first half year, the real estate market entered into an adjusting cycle as a result of the combined effects of factors such as economic downturn, tight credit control and continuous economic regulation. In the second half of the year, the real estate market revived gradually and the sales of commercial housing notably increased, thanks to the policies including relaxation of restrictions on property purchasing, the loosening of credit policy and reduction in interest rate. According to the National Bureau of Statistics, the saleable area and sales amount of commercial housing recorded 1,206,490,000 square metres and RMB7,629,200 million respectively, down by 7.6% and 6.3% respectively compared to 2013. As to the price, housing price in major cities of China experienced a gradually slower decrease for the second half of 2014. Land market in the first-tier cities and some of the leading second-tier cities continued to pick up. Housing prices in 70 large and mid-sized cities generally recovered with a relatively faster pace. However, the housing prices in major cities across the country still face a downward pressure in the short term.

## Management Discussion and Analysis



One major issue faced by the real estate industry over 2014 was reducing inventories and we expect it to persist into the future. Coexistence of challenges and opportunities will become a “new normal” of the industry development. Meanwhile, amid further intensified competition within the industry, an increasing number of real estate developers made diversified endeavours for business transformation and explored their own ways to achieve sustainable development. Business innovations such as cooperating with the internet or financial industry became the new focus of real estate enterprises and may stimulate a new round of potential business growth.

Despite the relatively fluctuating market environment of 2014, the Group sustained its stable and prudent operating strategy in response to the market trend. On one hand, the Group actively adjusted its product structure, accelerated the pace of development of commercial projects and increased the proportion of commercial properties in delivery, and enhanced the investment and development of the flagship street complex products. On the other hand, the Group rapidly improved the selling ability of its sales team, closely leveraged on the market window period and accelerated the de-stocking process through various channels and strategies. Thus the Group recorded a significant increase in the delivery volume compared to 2013 and achieved a stable growth overall. In particular, amount of contracted sales increased by 25% as compared to 2013, revenue recorded a growth of 23%, and profit attributable to the shareholders rose by 14%.

# Management Discussion and Analysis



## BUSINESS REVIEW

### (1) Property Development

#### **Contracted Sales**

During the reporting period, the Group recorded an aggregate contracted sales amount of RMB6,667.4 million, representing an increase of 24.5% as compared to 2013. The aggregate contracted sales area was 808,526 square metres, representing an increase of 15.9% as compared to 2013. The average contracted unit selling price was RMB8,153 per square metre, representing an increase of 9.1% as compared to 2013. This was mainly attributable to continuous adjustment of the product mix of the Group, which led to a further increased proportion of commercial properties.

Contracted sales of the Group by geographic location during the reporting period were as follows:

		For the year ended 31 December					
		Contracted sales area (square metres) <sup>(1)</sup>		Contracted sales amount (RMB million) <sup>(2)</sup>		Unit selling price (RMB/square metre) <sup>(1)</sup>	
Economic area	City	2014	2013	2014	2013	2014	2013
Bohai Rim	Jinan	<b>113,128</b>	80,888	<b>1,140</b>	734	<b>9,944</b>	8,679
	Shenyang	<b>169,152</b>	162,443	<b>1,163</b>	1,282	<b>6,781</b>	7,757
	Dongying	<b>47,054</b>	39,020	<b>294</b>	239	<b>6,248</b>	6,125
	Weifang	<b>22,849</b>	8,178	<b>143</b>	65	<b>5,952</b>	7,581
	<b>Sub-total</b>	<b>352,183</b>	290,529	<b>2,740</b>	2,320	<b>7,672</b>	7,789
Midwest	Wuhan	<b>110,519</b>	81,058	<b>724</b>	672	<b>6,542</b>	8,266
	Chongqing	—	256	<b>9</b>	12	—	3,906
	Chengdu	<b>50,992</b>	27,545	<b>569</b>	313	<b>11,119</b>	10,855
	Changsha	<b>33,411</b>	59,804	<b>322</b>	526	<b>9,248</b>	8,127
	Guilin	<b>1,006</b>	480	<b>9</b>	4	<b>8,946</b>	8,333
	Liuzhou	<b>37,988</b>	266	<b>904</b>	22	<b>23,613</b>	11,278
	<b>Sub-total</b>	<b>233,916</b>	169,409	<b>2,537</b>	1,549	<b>10,709</b>	8,636

## Management Discussion and Analysis

		For the year ended 31 December					
Economic area	City	Contracted sales area (square metres) <sup>(1)</sup>		Contracted sales amount (RMB million) <sup>(2)</sup>		Unit selling price (RMB/square metre) <sup>(1)</sup>	
		2014	2013	2014	2013	2014	2013
Yangtze River Delta	Wuxi	<b>99,705</b>	131,825	<b>743</b>	951	<b>7,432</b>	7,214
	<b>Sub-total</b>	<b>99,705</b>	131,825	<b>743</b>	951	<b>7,432</b>	7,214
Pearl River Delta	Qingyuan	<b>122,722</b>	105,613	<b>647</b>	534	<b>5,248</b>	5,056
	<b>Sub-total</b>	<b>122,722</b>	105,613	<b>647</b>	534	<b>5,248</b>	5,056
<b>Total</b>		<b>808,526</b>	697,376	<b>6,667</b>	5,354	<b>8,153</b>	7,471

Contracted sales of the Group by types of business during the reporting period were as follows:

		For the year ended 31 December					
Type	Contracted sales area (square metres) <sup>(1)</sup>		Contracted sales amount (RMB million) <sup>(2)</sup>		Unit selling price (RMB/square metre) <sup>(1)</sup>		
	2014	2013	2014	2013	2014	2013	
Commercial	<b>65,413</b>	32,037	<b>1,082</b>	500	<b>16,541</b>	15,607	
Residential and car park	<b>743,113</b>	665,339	<b>5,585</b>	4,854	<b>7,414</b>	7,080	
<b>Total</b>	<b>808,526</b>	697,376	<b>6,667</b>	5,354	<b>8,153</b>	7,471	
Proportion							
Commercial	<b>8%</b>	5%	<b>16%</b>	9%			
Residential and car park	<b>92%</b>	95%	<b>84%</b>	91%			
<b>Total</b>	<b>100%</b>	100%	<b>100%</b>	100%			

Notes:

(1) Excluding car park

(2) Including car park

## Management Discussion and Analysis



### **Property Construction**

During the reporting period, the Group's newly-started construction gross floor area ("GFA") reached 1,279,872 square metres, representing an increase of 6.5% as compared to 2013. The completed GFA reached 1,463,181 square metres, representing an increase of 55.2% as compared to 2013, which was mainly due to the larger scale of newly-started construction GFA in 2013 than that of 2012 and some of which were completed in 2014.

The status of property construction of the Group during the reporting period was as follows:

<b>Economic area</b>	<b>City</b>	<b>Newly-started construction GFA in 2014 (square metres)</b>	<b>Completed GFA in 2014 (square metres)</b>	<b>GFA under construction as at 31 December 2014 (square metres)</b>
Bohai Rim	Jinan	241,762	124,535	305,343
	Shenyang	269,182	181,428	524,880
	Dongying	64,802	64,453	98,285
	Weifang	—	79,563	—
	<b>Sub-total</b>	<b>575,746</b>	<b>449,979</b>	<b>928,508</b>



## Management Discussion and Analysis

Economic area	City	Newly-started construction GFA in 2014 (square metres)	Completed GFA in 2014 (square metres)	GFA under construction at the end of 2014 (square metres)
Midwest	Wuhan	312,839	203,745	312,839
	Chongqing	9,861	21,888	141,161
	Chengdu	—	—	143,978
	Changsha	19,542	112,869	19,542
	Guilin	481	—	22,783
	Liuzhou	127,998	173,066	60,327
	<b>Sub-total</b>		<b>470,721</b>	<b>511,568</b>
Yangtze River Delta	Wuxi	66,968	272,598	183,506
	<b>Sub-total</b>	<b>66,968</b>	<b>272,598</b>	<b>183,506</b>
Pearl River Delta	Qingyuan	166,437	229,036	347,878
	Dongguan	—	—	31,106
	<b>Sub-total</b>	<b>166,437</b>	<b>229,036</b>	<b>378,984</b>
<b>Total</b>		<b>1,279,872</b>	<b>1,463,181</b>	<b>2,191,628</b>



# Management Discussion and Analysis

## Breakdown of Major Properties

Economic area	City	Project	Address	Expected	Completion	Saleable		Planned	Our	
				completion	progress of	remaining	GFA under			
				date of	properties	GFA	development	GFA	attributable	
				properties	under	unsold	(sq. m.)	(sq. m.)	interest in	
				under	development <sup>(1)</sup>	development <sup>(1) (2)</sup>	(sq. m.)	(sq. m.)	the project	
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	No. 19 Yangguang New Road, Huaiyin District, Jinan City, Shandong Province				102,926	305,343	175,772	49%
	—	Phase I					8,872	—	—	
	—	Phase II					21,416	—	—	
	—	Phase III		2015	61%		47,293	—	—	
	—	Phase IV					24,150	—	—	
	—	Phase V		2017	30%		1,195	305,343	112,866	
	—	Phase VI					—	—	62,906	
	Shenyang	Shenyang Sunshine 100 International New Town	Yuhong New Town, Yuhong District, Shenyang City, Liaoning Province				145,850	412,001	638,073	100%
	—	Phase I					52,817	—	—	
	—	Phase II					93,033	—	—	
	—	Phase III		2016	50%		—	412,001	638,073	
		Shenyang Sunshine 100 Golf Mansion	No. 18 Qi Hao Street, Economics and Technology Development District, Shenyang City, Liaoning Province				50,680	80,400	48,071	51%
	—	Phase I					50,680	—	—	
	—	Phase II, Phase III		2015	43%		—	80,400	48,071	

# Management Discussion and Analysis

Economic area	City	Project	Address	Expected	Completion	Saleable		Planned	Our
				completion	Completion	remaining	GFA under		
				date of	progress of	GFA	development	GFA	attributable
				properties	properties	unsold	(sq. m.)	(sq. m.)	interest in
				under	under				the project
				development <sup>(1)</sup>	development <sup>(1) (2)</sup>	(sq. m.)	(sq. m.)	(sq. m.)	
	Tianjin	Tianjin Sunshine 100 International New Town	Hongqi South Road, Nankai District, Tianjin City			205,291	—	—	86%
	Dongying	Dongying Sunshine 100 City Garden	No. 248 North 1st Road, Dongying District, Dongying City, Shandong Province			69,065	98,284	88,592	100%
	—	Phase I				2,905	—	—	
	—	Phase II				42,239	—	—	
	—	Phase III		2015	44%	23,921	98,284	88,592	
	Weifang	Weifang Sunshine 100 City Plaza	No. 5051 Shengli East Street, Kuiwen District, Weifang City, Shandong Province			39,867	—	1,520,803	100%
	—	Phase I				39,867	—	—	
	—	Phase II				—	—	155,867	
	—	Phase III				—	—	478,382	
	—	Phase IV				—	—	423,573	
	—	Phase V				—	—	462,981	
	Yantai	Yantai Sunshine 100 City Plaza	Nos. 25-27 Haigang Road, Zhifu District, Yantai City, Shandong Province			22,433	—	345,485	100%
	—	Phase I				22,433	—	—	
	—	Phase II				—	—	345,485	
<b>Subtotal</b>						<b>636,112</b>	<b>896,028</b>	<b>2,816,796</b>	

# Management Discussion and Analysis

Economic area	City	Project	Address	Expected	Completion	Saleable		Planned	Our
				completion	Completion	remaining	GFA under		
				date of	progress of	GFA	development	GFA	attributable
				properties	properties	unsold	(sq. m.)	(sq. m.)	interest in
				under	under	development			the project
				development <sup>(1)</sup>	development <sup>(1) (2)</sup>	(sq. m.)	(sq. m.)	(sq. m.)	
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	No. 2 Yangqiaohu Avenue, Canglong Island, Jiangxia District, Wuhan City, Hubei Province			64,374	312,839	124,184	100%
		–	Phase I			2,431	–	–	
		–	Phase II			41,927	–	–	
		–	Phase III			10,646	–	–	
		–	Phase IV			9,370	–	–	
		–	Phase V	2015	46%	–	106,279	–	
		–	Phase VI	2015	49%	–	206,560	–	
		–	Phase VII			–	–	124,184	
Chongqing		Chongqing Sunshine 100 International New Town	Nanbin Road, Nan'an District, Chongqing			82,159	141,161	716,880	100%
		–	Phase I			82,159	–	–	
		–	Phase II	2016	40%	–	141,161	716,880	
Chengdu		Chengdu Sunshine 100 Mia Centre	No. 6 Wugui Road, Chenghua District, Chengdu City, Sichuan Province			38,475	143,977	–	100%
		–	Phase I			38,475	–	–	
		–	Phase II	2015	56%	–	143,977	–	
		Xin Sheng Yuan Project	Keyuan South 2nd Road, Gaoxin District, Chengdu City, Sichuan Province			–	–	20,000	100%

## Management Discussion and Analysis

Economic area	City	Project	Address	Expected	Completion	Saleable		Planned	Our	
				completion	progress of	remaining	GFA under			
				date of	properties	GFA	development	GFA	attributable	
				properties	under	unsold	(sq. m.)	(sq. m.)	interest in	
				under	development <sup>(1)</sup>	development <sup>(1) (2)</sup>	(sq. m.)	(sq. m.)	the project	
Changsha		Changsha Sunshine 100 International New Town	No. 518 Section One, 2nd South Ring Road, Yuelu District, Changsha City, Hunan Province				152,781	19,542	290,253	100%
—		Phase I					42,374	—	—	
—		Phase II					48,995	—	—	
—		Phase III					61,412	—	—	
—		Phase IV		2015	13%		—	19,542	290,253	
Guilin		Guilin Lijiang Project	Pingle Town, Pingle County, Guilin City, Guangxi Zhuang Autonomous Region				—	20,448	123,110	75%
—		Phase I		2015	52%		—	529	54,121	
—		Phase II		2015	52%		—	19,919	3,882	
—		Phase III					—	—	65,107	
		Guilin Scape Project	Ertang Township, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region				—	2,336	236,722	100%

# Management Discussion and Analysis

Economic area	City	Project	Address	Expected	Completion	Saleable		Planned	Our
				completion	Completion	remaining	GFA under		
				date of	progress of	GFA	development	GFA	interest in
				properties	properties	unsold	(sq. m.)	(sq. m.)	the project
				under	under				
				development <sup>(1)</sup>	development <sup>(1) (2)</sup>				
	Liuzhou	Liuzhou Sunshine 100 City Plaza	No. 2 Guizhong Avenue, Liuzhou City, Guangxi Zhuang Autonomous Region			62,150	—	—	75%
—		Phase I				15,138	—	—	
—		Phase II				16,908	—	—	
—		Phase III				11,794	—	—	
—		Phase IV				18,310	—	—	
		Yaobu Classic Town	No. 9 Panlong Road Liuzhou City, Guangxi Zhuang Autonomous Region			107,933	34,815	—	49%
—		Phase I				39,524	—	—	
—		Phase II				19,199	—	—	
—		Phase III		2015	53%	49,210	34,815	—	
		Liuzhou Sunshine 100 Classical Era	No. 11 Haiguan Road, Liuzhou City, Guangxi Zhuang Autonomous Region			1,434	—	—	100%
	Nanning	Nanning Sunshine 100 City Plaza	No. 63-1 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			16,916	—	92,230	100%
—		Phase I				16,916	—	—	
—		Phase II				—	—	92,230	
		Nanning Sunshine 100 Upper East Side International	No. 166 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			54,453	—	—	26%
		Vantone Air Garden	No. 80 Renmin West Road, Nanning City, Guangxi Zhuang Autonomous Region			2,751	—	—	100%

# Management Discussion and Analysis

Economic area	City	Project	Address	Expected	Completion	Saleable		Planned	Our	
				completion	progress of	GFA	GFA under			
				date of	properties	remaining	development	GFA	attributable	
				properties	under	unsold	(sq. m.)	(sq. m.)	interest in	
				under	development <sup>(1)</sup>	development <sup>(1)(2)</sup>			the project	
		Nanning Sunshine 100 Mountainside Garden	Nos. 1-2 Yinghua Road, Nanning City, Guangxi Zhuang Autonomous Region				10,603	—	—	51%
		Nanning Sunshine 100 Australian Garden	No. 8 Qingshan Road, Nanning City, Guangxi Zhuang Autonomous Region				800	—	—	50%
		Nanning Sunshine 100 European Garden	No. 63-1 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region				—	—	—	100%
<b>Subtotal</b>							<b>594,829</b>	<b>675,118</b>	<b>1,603,379</b>	
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 International New Town	No. 1 Tianyi New Street, Xizhang, Yanqiao Town, Huishan District, Wuxi City, Jiangsu Province				311,197	183,506	1,064,812	100%
	—	Phase I					105,001	—	—	
	—	Phase II					33,344	—	—	
	—	Phase III					41,705	—	—	
	—	Phase IV		2015	83%		87,840	183,506	70,565	
	—	Phase V		2015	66%		43,307	—	117,600	
	—	Phase VI					—	—	876,647	
	Yixing	Dongjiu RBD Commercial Street	East Jiefang Road, Chengdong New District, Yixing City, Jiangsu Province				—	—	111,400	100%
<b>Subtotal</b>							<b>311,197</b>	<b>183,506</b>	<b>1,176,212</b>	

# Management Discussion and Analysis

Economic area	City	Project	Address	Expected	Completion	Saleable		Planned	Our		
				completion	progress of	remaining	GFA under				
				date of	properties	GFA	development	GFA	attributable		
				properties	under	unsold	(sq. m.)	(sq. m.)	interest in		
				development <sup>(1)</sup>	development <sup>(1)(2)</sup>				the project		
Pearl River Delta	Qingyuan	Qingyuan Mango Town	N24 Area, Po Keng Lian Tai Industry City, Long Tang Town, Qing Cheng District, Qingyuan City, Guangdong Province			77,928	347,878	3,070,108	55%		
				–	Phase I	2015	85%	23,895	26,447	–	
				–	Phase II	2016	40%	54,033	321,431	159,194	
				–	Phase III			–	–	987,379	
				–	Phase IV			–	–	1,923,535	
	Dongguan	Dongguan Songshan Club	New Town Road, Yanfazhong Road, Songshan Lake, Hi-tech Industrial Development Zone, Dongguan City, Guangdong Province			–	–	–	44%		
<b>Subtotal</b>						<b>77,928</b>	<b>347,878</b>	<b>3,070,108</b>			
<b>Total</b>						<b>1,620,066</b>	<b>2,102,530</b>	<b>8,666,495</b>			

## Notes:

- (1) Expected completion date and completion progress are applicable to projects under development, but not applicable to completed projects or projects to be built.
- (2) Completion progress reflects the overall completion progress as at 31 December 2014.
- (3) Portions of the commercial properties operated by the Group in Weifang Sunshine 100 City Plaza, Wuhan Sunshine 100 Lakeside Residence, Shenyang Sunshine 100 International New Town and Shenyang Sunshine 100 Golf Mansion with a total GFA of approximately 47,329 sq.m., and hotels operated by the Group in Jinan Sunshine 100 International New Town, Linzhou Sunshine 100 City Plaza, Shenyang Sunshine 100 Golf Mansion and Yangshuo Sunshine 100 West Street Square with a total GFA of approximately 82,209 sq.m. are not included in the above table.
- (4) Investment properties under development in Shenyang Sunshine 100 International New Town, Yaobu Classic Town and Dongguan Songshan Club with a total estimated GFA of approximately 89,098 sq.m. upon completion and investment properties held for future development in Dongguan Songshan Club with a planned GFA of approximately 227,233 sq.m. are not included in the above table.



# Management Discussion and Analysis



## (2) Investment Properties

During the reporting period, the newly-added investment properties of the Group reached 151,226 square metres with a decrease of 25,841 square metres recorded in the existing investment properties. As at 31 December 2014, the Group had a total GFA of 400,014 square metres of investment properties. In addition, during the reporting period, the rental income reached RMB103.4 million, representing an increase of 34.1% as compared to 2013.

### ***Breakdown of Investment Properties***

Economic area	City	Project	Properties	Use	Leasing period
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	Part of shopping mall, phase IV	Commercial	Short, medium and long term
			Kindergarten, phase III	Kindergarten	Long term
	Shenyang	Shenyang Sunshine 100 International New Town	Part of commercial portion, phase I,	Commercial	Medium term
			Part of commercial portion, phase II	Commercial	Short, medium and long term
			Kindergarten, D13 building, phase II	Kindergarten	Long term
			Part of commercial portion under development, phase III	Commercial	Medium and long term

## Management Discussion and Analysis

Economic area	City	Project	Properties	Use	Leasing period
	Tianjin	Tianjin Sunshine 100 International New Town	Part of community commercial portion	Commercial	Short, medium and long term
	Dongying	Dongying Sunshine 100 City Garden	A4 Kindergarten	Kindergarten	Long term
	Weifang	Weifang Sunshine 100 City Plaza	Part of commercial portion, Blocks 5–8, phase I Part of office portion, Block 8, phase I	Commercial Office	Short, medium and long term Short and medium term
	Yantai	Yantai Sunshine 100 City Plaza	Part of office portion Part of shopping mall	Office Commercial	Medium term Short, medium and long term
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	Part of commercial portion, Block F53, phase IV	Commercial	Vacant
	Chongqing	Chongqing Sunshine 100 International New Town	Part of community commercial portion	Commercial	Short and medium term
	Chengdu	Chengdu Sunshine 100 Mia Centre	Part of underground commercial portion	Commercial	Medium term

## Management Discussion and Analysis

Economic area	City	Project	Properties	Use	Leasing period
	Changsha	Changsha Sunshine 100 International New Town	Part of commercial portion, Blocks 52-56 phase III	Commercial	Short, medium and long term
	Liuzhou	Liuzhou Sunshine 100 City Plaza	Part of commercial portion	Commercial	Long term
Level 1, Block 33			Kindergarten	Long term	
Liuzhou Yaobu Classic Town		Set aside part of Land Parcel A	Commercial	Vacant	
		Set aside part of Land Parcel B	Commercial	Under development	
		Liuzhou Classical Era	Kindergarten	Kindergarten	Long term
	Nanning	Nanning Sunshine 100 City Plaza	Part of commercial portion	Commercial	Short, medium and long term
		Vantone Air Garden of Guangxi Zhuang Autonomous Region	Part of commercial portion	Commercial	Medium and long term
		Nanning Sunshine 100 Mountainside Garden <sup>(1)</sup>	Clubhouse	Commercial	Long term

# Management Discussion and Analysis

Economic area	City	Project	Properties	Use	Leasing period
		Nanning Sunshine 100 Australian Garden <sup>(2)</sup>	Clubhouse	Commercial	Medium and long term
		Nanning Sunshine 100 European Garden	Clubhouse	Commercial, Kindergarten	Short and medium term
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 International New Town	Part of Commercial portion, Tianyi Street, phase V	Commercial	Long term
Pearl River Delta	Dongguan	Songshan Club	Whole project	Scientific research and design	Under development

Notes:

(1) The interest attributable to the Group was 51%.

(2) The interest attributable to the Group was 50%.

# Management Discussion and Analysis

## (3) Land Acquisition

During the reporting period, the Group paid an aggregate amount of RMB1,793.6 million for various land acquisitions, approximately half of which was used for the street complex projects, including the consideration of RMB631.4 million paid for the acquisition of Guangxi Jingqi Investment Co., Ltd. (廣西景祺投資有限公司), RMB50.0 million paid for Jiangsu Yixing Dongjiu RBD Commercial Street Project and RMB83.0 million for the land payment of Weifang Sunshine 100 City Plaza.

Breakdown of land bank of the Group at the end of the reporting period was as follows:

Economic area	City	Total GFA		Attributable	
		(sq. m.)	Proportion	GFA (sq. m.)	Proportion
Bohai Rim	Jinan	654,244	5%	320,580	3%
	Shenyang	1,477,450	11%	1,379,687	13%
	Tianjin	220,458	2%	189,594	2%
	Dongying	258,036	2%	258,036	2%
	Weifang	1,595,730	12%	1,595,730	15%
	Yantai	426,466	3%	426,466	4%
	<b>Subtotal</b>	<b>4,632,384</b>	<b>35%</b>	<b>4,170,092</b>	<b>39%</b>
Midwest	Wuhan	515,848	4%	515,848	5%
	Chongqing	959,921	7%	959,921	9%
	Chengdu	210,522	2%	210,522	2%
	Changsha	470,908	4%	470,908	4%
	Guilin	395,037	3%	188,702	2%
	Liuzhou	316,715	2%	192,761	2%
	Nanning	213,624	2%	165,063	2%
<b>Subtotal</b>	<b>3,082,575</b>	<b>24%</b>	<b>2,703,725</b>	<b>26%</b>	
Yangtze River Delta	Wuxi	1,578,052	12%	1,578,052	15%
	Yixing	111,400	1%	111,400	1%
<b>Subtotal</b>	<b>1,689,452</b>	<b>13%</b>	<b>1,689,452</b>	<b>16%</b>	
Pearl River Delta	Qingyuan	3,495,914	26%	1,922,753	18%
	Dongguan	258,339	2%	114,054	1%
<b>Subtotal</b>	<b>3,754,253</b>	<b>28%</b>	<b>2,036,807</b>	<b>19%</b>	
<b>Total</b>		<b>13,158,664</b>	<b>100%</b>	<b>10,600,076</b>	<b>100%</b>

# Management Discussion and Analysis



## FINANCIAL REVIEW

### Revenue

During the reporting period, our revenue increased by 23.1% to RMB7,103.7 million in 2014 from RMB5,769.4 million in 2013 due to the increment in income from our sales of properties, property management, hotel operation income and rental from investment property.

### *Income from sale of properties*

During the reporting period, revenue generated from the sale of properties increased by 22.1% to RMB6,747.1 million from RMB5,526.3 million in 2013, mainly attributable to an increase in the total GFA delivered which is driven by accelerated turnover and continuously increasing sales ability of the Group.

In particular, income from sale of residential properties and car parks increased by 15.7% to RMB5,320.7 million from RMB4,598.9 million in 2013, while income from sales of commercial properties increased by 53.8% to RMB1,426.4 million from RMB927.4 million in 2013.

## Management Discussion and Analysis

Type	For the year ended 31 December					
	Sales area (sq. m.) <sup>(1)</sup>		Sales amount (RMB million) <sup>(2)</sup>		Unit selling price (RMB/sq. m.) <sup>(1)</sup>	
	2014	2013	2014	2013	2014	2013
Commercial	<b>77,871</b>	69,643	<b>1,426</b>	927	<b>18,318</b>	13,317
Residential and car park	<b>742,574</b>	610,858	<b>5,321</b>	4,599	<b>6,875</b>	7,391
<b>Total</b>	<b>820,445</b>	680,501	<b>6,747</b>	5,526	<b>7,992</b>	7,998

Notes:

(1) Excluding car park

(2) Including car park

### ***Income from property management and hotel operation***

During the reporting period, revenue generated from property management and hotel operation increased by 52.5% to RMB253.2 million from RMB166.0 million in 2013, primarily due to the increase in property management area and hotel operation area, and the consolidation of Jinan Sunshine 100 Real Estate Development Co., Ltd in the financial statements of the Group since September 2013.

### ***Rental income from investment properties***

During the reporting period, rental income from investment properties of the Group increased by 34.1% to RMB103.4 million from RMB77.1 million in 2013, primarily due to the increment of the GFA for rental, growth of rental level and the consolidation of Jinan Sunshine 100 Real Estate Development Co., Ltd in the financial statements of the Group since September 2013.

### ***Cost of sales***

During the reporting period, the cost of sales of the Group increased by 35.9% to RMB5,598.2 from RMB4,119.3 million in 2013. Cost of property sales increased by 32.2% to RMB5,228.7 million from RMB3,956.5 million in 2013 primarily due to the increase in GFA of properties delivered, the growth of unit construction cost, and a write-down of approximately RMB109.8 million made by the Group on some projects as at 31 December 2014. Cost of property management and hotel operation increased by 59.5% to RMB259.7 million from RMB162.8 million in 2013, primarily due to the increments of both the property management area and the hotel operation area, and the consolidation of Jinan Sunshine 100 Real Estate Development Co., Ltd in the financial statements of the Group since September 2013.

# Management Discussion and Analysis

## **Gross profit**

As a result of the foregoing, during the reporting period, our gross profit decreased by 8.8% to RMB1,505.5 million from RMB1,650.1 million in 2013. Our gross profit margin decreased by 7.4 percentage points to 21.2% from 28.6% in 2013 primarily due to increased proportion of delivered properties with lower gross margin during the reporting period.

## **Valuation gains on investment properties**

During the reporting period, valuation gains on investment properties of the Group increased by 59.3% to RMB387.8 million from RMB243.5 million in 2013, primarily due to the newly added investment properties during the reporting period.

## **Selling expenses**

During the reporting period, selling expenses of the Group increased by 31.1% to RMB372.2 million from RMB283.9 million in 2013, primarily due to the Group's strengthened marketing efforts and increased contracted sales, which resulted in an increase in advertising fees, promotion fees and sales commissions accordingly.

## **Administrative expenses**

During the reporting period, administrative expenses increased by 21.8% to RMB406.3 million from RMB333.6 million in 2013, primarily due to an increase in employee remuneration after the listing of the Company and the consolidation of Jinan Sunshine 100 Real Estate Development Co., Ltd into the financial statements of the Group since September 2013, which increased the overall administrative expenses.

## **Financing expenses**

During the reporting period, financing expenses of the Group decreased by 37.8% to RMB144.8 million from RMB232.9 million in 2013, primarily due to the settlement of loan from Riverside Investment Ltd. reducing the relevant financing cost and a decrease in the change of fair value of loans from Hangzhou Industrial & Commercial Trust Co., Ltd.

## **Income tax**

During the reporting period, income tax expense of the Group increased by 3.2% to RMB499.5 million from RMB484.2 million in 2013. It is primarily due to the increase in profit before taxation during the reporting period.



# Management Discussion and Analysis

## **Profit for the year**

During the reporting period, profit for the year increased by 28.4% to RMB810.2 million from RMB630.8 million in 2013.

## **Profit attributable to equity shareholders of the Company**

As a result of the foregoing, profit attributable to equity shareholders of the Company increased by 14.0% to RMB766.5 million from RMB672.1 million in 2013.

## **WORKING CAPITAL, FINANCE & CAPITAL RESOURCES**

### **Cash and cash equivalents**

As at 31 December 2014, the Group had approximately RMB2,557.8 million in cash and cash equivalents, which increased by RMB1,341.3 million as compared to that of 2013. The increase was primarily due to the increase in cash generated from financing activities.

### **Current ratio, gearing ratio and net gearing ratio**

As at 31 December 2014, the current ratio of the Group decreased from 153.2% in 2013 to 136.1%. The Group had current assets of RMB27,084.7 million and current liabilities of RMB19,902.7 million as at 31 December 2014.

As at 31 December 2014, the gearing ratio of the Group decreased from 49.5% in 2013 to 42.3%, and the net gearing ratio decreased by approximately half from 398% in 2013 to 209%, which was mainly due to the increase in the net assets of the Group.

### **Loans and borrowings and pledged assets**

As at 31 December 2014, the Group had total loans and borrowings of RMB14,841.0 million, of which RMB8,003.5 million, RMB3,575.0 million, RMB2,784.5 million and RMB478.0 million are payable within one year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively.

As at 31 December 2014, the Group had pledged properties and restricted deposits with a carrying value of RMB9,268.8 million (2013: RMB8,206.8 million) to secure banking facilities granted to the Group.

# Management Discussion and Analysis

## **Capital commitment**

As at 31 December 2014, the Group's contracted capital commitments for properties under development and investment properties under construction not provided for in the financial statements was approximately RMB1,566.7 million (2013: approximately RMB2,152.8 million). Approved but not contracted for capital commitment of the Group was approximately RMB5,301.3 million as at 31 December 2014 (2013: approximately RMB4,232.5 million).

## **Foreign exchange exposure**

As the renminbi is not freely convertible into foreign currencies, all foreign exchange transactions involving renminbi must take place through the People's Bank of China (the "PBOC") or other statutory institutions. The exchange rates adopted for foreign exchange transactions are those published by the PBOC and may be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currencies (depending on the foreign currency in which the Group's earnings are denominated) or must be conducted through the PBOC with government approval.

Nearly all of the Group's income and expenses are denominated in renminbi, while certain bank deposits and loans are denominated in the HK dollar and US dollar. However, the operating cash flows and working capital of the Group have not been materially impacted by fluctuations in exchange rates. The Group currently does not hedge its foreign exchange exposures but may adopt hedging measures in the future.

## **Contingent liabilities**

As at 31 December 2014, the Group had entered into agreements with certain banks to provide guarantees for the mortgage loans of its property buyers. As at 31 December 2014, the amount of mortgage loans guaranteed by the Group to the banks for such agreements was approximately RMB5,180.1 million (2013: approximately RMB4,349.2 million).

# Management Discussion and Analysis

## **SUBSTANTIAL ACQUISITION AND DISPOSAL**

On 6 May 2014, Sunshine 100 Real Estate Group Co., Ltd. (陽光壹佰置業集團有限公司) (“**Sunshine 100 Group**”), a wholly-owned subsidiary of the Company, made a successful bid for the 51% equity interests in the Guangxi Jingqi Investment Co., Ltd. (廣西景祺投資有限公司) (“**Guangxi Jingqi**”) held by Guangxi Sanqi Investment Co., Ltd. (廣西三祺投資有限公司) (“**Guangxi Sanqi**”) in the open tender process organized and held by Guangxi BeiBu Gulf Equity Co., Ltd (廣西北部灣產權交易所). Following the successful bid, Guangxi Sanqi agreed to sell and Sunshine 100 Group agreed to purchase 51% equity interest of Guangxi Jingqi and the shareholder’s loan owed to Guangxi Sanqi by Guangxi Jingqi for a total consideration of RMB631,533,612.11. For further details about the acquisition, please refer to the announcement of the Company dated 7 May 2014.

On 15 August 2014, after trading hours, Sunshine 100 Group entered into a share purchase agreement with Guangxi Laomumian Investment Co., Ltd. (廣西老木棉投資有限公司) (“**Guangxi Laomumian**”) to acquire 70% of the equity interest in Guilin Sunshine 100 Real Estate Co., Ltd. (桂林陽光壹佰置業有限公司) (“**Guilin Sunshine 100**”) and the shareholder’s loan owed to Guangxi Laomumian by Guilin Sunshine 100 for a total consideration of RMB167,826,892. On 30 September 2014, Sunshine 100 Group transferred all its rights, obligations and responsibilities under the above said share purchase agreement to Yantai Sunshine Shengtong Investment Co., Ltd. (煙台陽光盛通投資有限公司) (“**Yantai Sunshine**”), a wholly-owned subsidiary of Sunshine 100 Group. For further details about the acquisition, please refer to the announcements of the Company dated 15 August 2014 and 30 September 2014.

On 15 October 2014, Sunshine 100 Group purchased the 80% equity interest of Wuxi Jintao Real Estate Development Co., Ltd. (無錫金濤置業發展有限公司) from Mr. Zhou Chen, Mr. Shi Zhitao, Ms. Zhou Pinfen and Ms. Qian Yunyun for a total consideration of RMB328,000,000. For further details about the acquisition, please refer to the announcement of the Company dated 15 October 2014.

On 12 December 2014, after trading hours, Sunshine 100 Group entered into an equity transfer agreement with Hangzhou Hengxin 100 Industrial Co., Ltd. (杭州恒信壹佰實業有限公司) (“**Hangzhou Hengxin 100**”) and Yangpu Guangsheng Guoyuan Investment Co., Ltd. (洋浦廣盛國源投資有限公司) (“**Yangpu Guangsheng**”) to acquire 49% of the equity interest in Beijing Yinxin Guanghua Real Estate Development Co., Ltd. (北京銀信光華房地產開發有限公司) (“**Beijing Yinxin**”) for a consideration of RMB227,800,000. For further details about the acquisition, please refer to the announcement of the Company dated 15 December 2014.

# Management Discussion and Analysis

## **FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OR CAPITAL ASSETS**

The Company completed the Global Offering (as defined in the Prospectus of the Company dated 27 February 2014 of the Company) on the Listing Date, and after deducting the issuance expenses, the net proceeds raised amounted to approximately HK\$1,876.1 million. As at the date of this annual report, all proceeds raised have been applied to the purposes disclosed in the Prospectus. The Group has entered into detailed negotiations for the acquisitions of several property development projects.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2014, the Group employed a total of 3,882 employees (2013: 3,434 employees), of which 1,398, 2,112 and 372 employees were employed under the property development, property management and other divisions, respectively. The staff costs of the Group were RMB424.6 million for the year ended 31 December 2014 (2013: RMB331.3 million). The Group has adopted a performance-based reward system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to staff with outstanding performance. In relation to staff training, the Group also provides various training programs to improve employees' skills and develop their respective expertise. Generally, salary will be determined based on the qualifications, position and experience of each employee. The Group has established a regular assessment mechanism to assess the performance of its employees. The assessment results are the basis for determining salary increments, bonuses and promotions. As required by regulations in China, the Group makes contributions to mandatory social security funds such as pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and the housing provident fund for the benefit of our employees in China. For the year ended 31 December 2014, the Group made contributions totalling approximately RMB30.9 million to the employee retirement scheme.



# Management Discussion and Analysis

## **EVENTS AFTER THE REPORTING PERIOD**

### **Repurchase of 72% equity interest in Chongqing Yuneng 100 Real Estate Development Co., Ltd. (重慶渝能壹佰房地產開發有限公司) (“Chongqing Yuneng 100”)**

On 13 January 2015, Sunshine 100 Group entered into the early repayment agreement with Sunshine 100 Real Estate (Liaoning) Co., Ltd. (陽光一百置業(遼寧)有限公司), Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) (“**Zhongrong International Trust**”) and Chongqing Yuneng 100, pursuant to which (i) Sunshine 100 Group would repurchase, and Zhongrong International Trust would transfer, 72% of the equity interest in Chongqing Yuneng 100 for a consideration of approximately RMB517,900,000; and (ii) Sunshine 100 Group would repay Chongqing Yuneng 100’s outstanding loan (principal of RMB300,000,000 plus the total interest of approximately RMB64,300,000) owed to Zhongrong International Trust. For further details on the repurchase, please refer to the announcement of the Company dated 13 January 2015.

### **Acquisition of interest in and shareholders’ loan of Sunshine 100 Resort Development Company Limited (“Sunshine 100 Resort Development”)**

On 10 February 2015, Sunmode Limited, a wholly-owned subsidiary of the Company, entered into the share purchase agreement with (among others) Wayfine Holdings Limited, pursuant to which Sunmode Limited has agreed to purchase from Wayfine Holdings Limited and Zhongran Investments Company Limited 510,000 shares and the shareholders’ loan of US\$4,335,000 of Sunshine 100 Resort Development at an aggregate consideration of US\$5,951,821. Upon completion, Sunshine 100 Resort Development would be held by Sunmode Limited, Tan Holdings Corporation and Zhongran Investments Company Limited as to 51%, 30% and 19%, respectively. For further details on the acquisition, please refer to the announcement of the Company dated 10 February 2015.

### **Transfer of 49% equity interest in Chongqing Yuneng 100 and the equity repurchase agreement**

On 10 February 2015, Sunshine 100 Group entered into the equity transfer agreement with Beijing Dongfang Zhuochang Investment Management Center (北京東方卓昶投資管理中心) (limited partnership), pursuant to which 49% equity interest in Chongqing Yuneng 100 will be transferred by Sunshine 100 Group to Beijing Dongfang Zhuochang Investment Management Center (limited partnership) for a consideration of RMB49,000,000.

On 10 February 2015, Sunshine 100 Group entered into an equity repurchase agreement with Beijing Dongfang Zhuochang Investment Management Center (limited partnership), pursuant to which, Beijing Dongfang Zhuochang Investment Management Center (limited partnership) shall have the right to return the 49% equity interest in Chongqing Yuneng 100 to Sunshine 100 Group at a consideration of RMB49,000,000 according to the terms of the equity repurchase agreement. For further details on the transfer, please refer to the announcements of the Company dated 11 February 2015 and 17 February 2015.

# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Yi Xiaodi** (易小迪), aged 51, is the Chairman of the Board, the pioneer founder, an executive Director, the Chief Executive Officer and the Chairman of the Company's nomination committee, and is in charge of the corporate strategy and the daily operations of the Group. Mr. Yi was appointed as an executive Director by the Company on September 20, 2007. Mr. Yi has extensive experience in the real estate development industry in China. In 1992, Mr. Yi established Guangxi Vantone Enterprise Development Company in Guangxi, which established Guangxi Vantone Real Estate Co., Ltd. (廣西萬通房地產有限公司) ("**Guangxi Vantone**") in 1994. He established the "Sunshine 100" brand in 2000 through the development of the Sunshine 100 International Apartment project (陽光100國際公寓) in Beijing. He received an award for being a leader in real estate innovation in Beijing (北京地產創新領袖人物) from sina.com (新浪網) in 2003, an award for being one of China's influential persons during China's 10 years of transformation (改變中國十年影響力人物) by the Asian Living Environment Association (亞洲人居環境協會) and the Economic Observer (經濟觀察報) in 2004, an award for his outstanding contributions to creating a living environment in China (中國人居環境傑出貢獻人物榮譽稱號) by the China Real Estate and Residential Housing Research Association (中國房地產及住宅研究會) and the Chinese Environmental Protection Fund (中華環境保護基金會) in 2005, an award for outstanding contribution to the creation of value in cities in China (創造城市價值中國地產年度卓越貢獻人物) by the Chinese Living Environment Committee (中國人居環境委員會) in 2006, an award named him a Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會), an award for special contribution for 2009 China urban commercial value (2009中國城市商業價值特殊貢獻人物) by China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會) and the International Real Estate Federation (國際不動產行業聯盟), an award named him an Influential Person of 2009 Lanchou Real Estate (2009年度藍籌地產影響力人物) by Lanchou Real Estate Media (藍籌地產傳媒) and Sina Leju (新浪樂居), an award for being one of the most respected entrepreneur of China in 2012 (2012年中國最受尊敬企業家) by Hurun Report (胡潤百富) and an award for being one of the top 10 annual persons in 2009 China brand real estate (2009品牌中國房地產十大年度人物) by China Brand Union Association (品牌中國產業聯盟) and China Real Estate Chamber of Commerce (全國工商聯房地產商會), and the "Special Promoting Award" on the 14th Venice Architectural Biennale-paralleled with the first exhibition in Chinese Cities Hall (第十四屆威尼斯建築雙年展平行展暨中國城市館首展) in June 2014. Mr. Yi was appointed the lecturer for the outstanding alumni's series report course (《優秀校友系列報告》) from September 2006 to July 2011 by the Alumni Association of (北京師範大學校友會) Beijing Normal University. He was the vice executive chairman for the second session of the Guangxi Chamber of Commerce in Beijing (北京廣西企業商會) and a member of the Entrepreneurial Forum of Sohu (搜狐企業家論壇). He obtained a bachelor of science degree in geography from Beijing Normal University (北京師範大學) in July 1986 and a master's degree in economics from Renmin University of China (中國人民大學) in October 1989.

## Directors and Senior Management

**Mr. Fan Xiaochong** (范小冲), aged 50, is an executive Director appointed by the Company on September 20, 2007. Mr. Fan is the Executive Vice-President and is involved in formulating the corporate strategies of the Group, assists Mr. Yi Xiaodi in the Group's daily operations and supervises the land acquisition, human resources and administration departments of the Company. Since the establishment of Guangxi Vantone in 1994, Mr. Fan was engaged in the business and corporate strategy development of the Group. He was the deputy general manager of Guangxi Vantone from 1992 to 2003, the deputy general manager of Beijing Yinxi Guanghai Real Estate Development Co., Ltd. from 1999 to 2003, and has been the executive vice-president of Sunshine 100 Real Estate Group Co., Ltd. (陽光壹佰置業集團有限公司) ("**Sunshine 100 Group**") since 2003. He received an award named Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會) and an award for outstanding contribution for China real estate (中國地產傑出貢獻人物獎) in 2010 by the Chinese Association of Urban Development and Public Relationship (中國城市發展暨公共關係協會). Mr. Fan obtained a bachelor of science degree in geography and a master of science degree in regional geography from Beijing Normal University (北京師範大學) in July 1986 and July 1989, respectively.

### Non-executive Director

**Ms. Fan Xiaohua** (范曉華), aged 72, is a non-executive Director appointed by the Company on September 20, 2007. Ms. Fan joined the Group as a member of the senior management of Guangxi Vantone in 1994. She has been the director of the Group since August 2005 and was involved in the decision-making process and supervised internal auditing controls of the Company. Ms. Fan served as the division head of technology, the deputy factory director and the factory director of Guangxi Nanning Chinese Medicine Pharmaceutical Factory (廣西南寧中藥廠) from 1979 to 1990, the chief deputy general manager of Nanning Pharmaceutical Group (南寧製藥企業集團) from 1991 to 1993 and has been the chairman and general manager of Guangxi Vantone Pharmaceutical Co., Ltd. (廣西萬通製藥有限公司) since 1993. Ms. Fan enjoys the life-long special allowance (終身享受國務院特殊津貼) which is an award granted by the State Council for experts and scholars who have outstanding contribution since 1993. She was honored as one of "Second Batch of Top Professional Talents in Nanning" (南寧市第二批專業技術拔尖人才) between 1991 and 1993. She obtained a bachelor's degree in medicine from Nanjing Pharmacy College (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) in August 1967.

## Directors and Senior Management

**Mr. Joseph Raymond Gagnon**, aged 37, was a non-executive Director appointed by the Company on June 2011. Mr. Gagnon has been an employee of Warburg Pincus Asia LLC, an affiliated company of the Company's shareholder Riverside 100 Holdings A LLC, since September 2005 and currently serves as a managing director and the co-head of its real estate investment business in North Asia. He has been a director of Vingroup Joint Stock Company, a company listed on the Ho Chi Minh Stock Exchange, since June 2013. Mr. Gagnon previously worked for GE Capital from July 2000 to August 2005, where he last served as a business development manager with GE Capital Real Estate in Tokyo. Mr. Gagnon obtained a bachelors degree of science in mathematical economics from Wake Forest University in 2000. Mr. Gagnon resigned as a non-executive Director of the Company on 10 September 2014.

### Independent Non-executive Directors

**Mr. Chen Jinsong** (陳勁松), aged 51, is an independent non-executive Director appointed by the Company on February 17, 2014. Mr. Chen is the founder and board chairman of Shenzhen World Union Properties Consultancy Co., Ltd. (深圳世聯行地產顧問股份有限公司), a company established in 1993 and listed on Shenzhen Stock Exchange (Stock Code: 002285). Mr. Chen has more than 20 years of experience in the real estate development industry and has edited and published a number of works in relation to real estate development theory and market research. He is the adviser of administrative committee as well as a senior member of China Institute of Real Estate Appraisers and Agents (中國房地產估價師與房地產經紀人學會理學會顧問與資深會員), a committee member of the Expert Committee of Real Estate Appraisers and Agents of the Ministry of Construction of China (建設部房地產估價與房地產經紀專家委員會委員), the vice director-member of the City Development Professional Committee of China Real Estate Association (中國房地產業協會城市開發專業委員會副主任委員) and a member of the Committee for Statutory Plans of Shenzhen (深圳市法定圖則委員會委員). He obtained a master's degree in engineering management in April 1988 from Tongji University (同濟大學).

**Mr. Gu Yunchang** (顧雲昌), aged 70, was appointed as our independent non-executive Director on February 17, 2014. Mr. Gu currently serves as the executive chairman of the National Real Estate Business Alliance and the deputy director of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development and had also been the secretary-general of the China Real Estate Association from 1998 to 2006 and the vice president of the China Real Estate Research Association from 2006 to 2013.

Mr. Gu formerly served at different positions in the Ministry of Construction of the PRC, including the deputy director at Policy Research Centre of Ministry of Construction from 1988 to 1998; and the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction from 1982 to 1986.



## Directors and Senior Management

Mr. Gu engaged in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of China's city and village residential construction techniques, carrying on a State key project "2000 China", and won the First Class National Science Technology Advance Award in China twice. After joining the China Real Estate Association in 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the national real estate market. He is also the main organizer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu was an independent non-executive director of Shimao Property Holdings Limited (SEHK stock code: 813) from April 2006 to May 2011, and an independent non-executive director of E-House (China) Holdings Limited (NYSE: EJ) from August 2008 to March 2014. Mr. Gu has been the independent non-executive director of Sino-Ocean Land Holdings Limited (SEHK stock code: 3377) and CIFI Holdings (Group) Co. Ltd. (SEHK stock code: 884) since 2007 and 2012, respectively. Mr. Gu has also been the independent director of COFCO Property (Group) Co., Ltd. (SZSE stock code: 000031) and Zhejiang Yasha Decoration Co., Ltd. (SZSE stock code: 002375) since April 2012 and May 2013, respectively. Mr. Gu obtained his qualification as a senior urban planner in April 1988 and qualification as a researcher specializing in residence and real estate in December 1999, both of which were certified by the Ministry of Construction. Mr. Gu obtained a bachelor's degree in Urban Planning from Tongji University in July 1966.

**Mr. Ng Fook Ai, Victor** (黃博愛), aged 67, is an independent non-executive Director appointed by the Company on February 17, 2014. Mr. Ng is the chairman of 1 Rockstead GIP Fund Limited and the founder and executive chairman of New Climate Assets Pte. Ltd, an investment company headquartered in Asia focused on investments in Greater China. He managed a number of China focused funds, including China Growth Opportunities Limited, a £50 million UK-listed fund that focuses on private equity investments in China. Mr. Ng has been a director and the chairman of audit committee of Asia Power Corporation Limited, a company listed on the main board of the Singapore Stock Exchange, the chairman and a member of audit committee of Devotion Energy Group Limited, a company listed on the main board of the Singapore Stock Exchange, and My E.G. Services Bhd, a company listed on the main board of Bursa Malaysia, since 1999, 2004 and 2008, respectively. Mr. Ng obtained a bachelor's degree in economics and a master's degree in economics from the University of London in 1976 and 1978, respectively.

### SENIOR MANAGEMENT

**Mr. Yi Xiaodi** (易小迪) is the Chief Executive Officer of the Group. Please refer to the sub-section above headed "Executive Directors" of this annual report for Mr. Yi's biography.

**Mr. Fan Xiaochong** (范小冲) is the Executive Vice-President of the Group. Please refer to the sub-section above headed "Executive Directors" of this annual report for Mr. Fan's biography.

## Directors and Senior Management

**Mr. Du Hongwei** (杜宏偉), aged 47, is the Vice President and the Chief Financial Officer and Joint Company Secretary of the Group. He is responsible for the financial affairs of the Group. Mr. Du joined the Group as the vice president in December 2013 and was appointed as the chief financial officer of the Group in January 2014. He used to serve as the chief financial officer of Sunshine 100 Group from May 2005 to January 2007. Mr. Du has served as the general manager of capital market and investment banking department of China Merchants Securities Co., Ltd. from January 1999 to March 2002 and the general manager of China Aviation Industrial Fund (中國航空產業投資基金) from September 2009 to May 2012. Mr. Du obtained a master of degree in economics from Fudan University in July 1993.

**Mr. Li Hui** (黎輝), aged 48, was the Vice President of the Group and the General Manager of Southwestern Project Management Centre. He is responsible for property management and customer service of the Group, and daily management of the foresaid project. Mr. Li joined the Group as the assistant to the chief executive officer in January 2008. He was appointed as the vice president in April 2009, the general manager of Southwestern Project Management Centre in September 2010, the general manager of Wuxi Sunshine 100 International New Town project in September 2011, and the chief financial officer in June 2013. Prior to joining the Group, Mr. Li has served as the deputy general manager of Hainan Science Real Estate Development Co., Ltd. (海南賽特房地產開發有限公司) from 1993 to 1995 and the deputy general manager, the managing vice president and the general manager of Shanghai Oriental International Plaza Development Company (上海東方國際廣場發展公司) from 1996 to December 2000. He also served as the general manager and the chairman of the board of directors of Shanghai Hehe Property Management Co., Ltd. (上海禾和物業管理有限公司) from 2000 to 2008. Mr. Li obtained a bachelor of law degree in international economic law from East China University of Political Science and Law (華東政法大學) (formerly known as East China College of Politics and Law (華東政法學院) in July 1989. Mr. Li Hui resigned on 31 January 2015.

**Mr. Jiang Qinyuan** (江沁園), aged 45, is the Vice President of the Group and the Head of Operation Supervision Department of the Group. He is responsible for the overall operation of the Group, including business planning and management, and commercial management of the Group. Mr. Jiang joined the Group as the vice president in April 2010. Prior to joining the Group, Mr. Jiang served as the group manager at Procter & Gamble (Guang Zhou) Ltd. from July 1992 to July 1998, a consultant at the PRC and Singapore offices of Bain & Company from 2000 to 2003, the managing director of the Chicago-based China Optimization Group (思歐捷有限公司) from 2004 to 2010, and the president of Catala (Hangzhou) Painting Projects Co., Ltd. (佳塗樂(杭州)塗裝服務有限公司), a professional painting contractor, from 2008 to early 2010. Mr. Jiang obtained a bachelor of science degree in mathematics from Sun Yat-Sen University (中山大學) in July 1991 and a master of business administration from Cornell University in May 2000.

## Directors and Senior Management

**Mr. Chen Meng** (陳夢), aged 52, is the Vice-President of the Group and the General Manager of Southern China Project Management Centre. He is responsible for design management and daily management of the Southern China Project Management Centre. Mr. Chen joined the Group as the executive director of Nanning Sunshine 100 Australian Garden in December 1998. He was appointed as the general manager of Ji'nan Sunshine 100 International New Town project in January 2002, the general manager of Southern China Project Management Centre in September 2009, and the vice president of the Group in September 2010. Prior to joining the Group, Mr. Chen has served as a division head of Nanning Third Construction and Installation Co., Ltd. (南寧市三建建築安裝工程有限責任公司) from January 1991 to July 1992 and the chairman and general manager of Nanning Oriental Garden Property Co., Ltd. (南寧東方園物業有限責任公司) from October 1996 to November 1998. Mr. Chen obtained a professional diploma from University of South China (南華大學) (formerly known as Hunan Hengyang Technology Institute (湖南衡陽工學院) in July 1987.

**Mr. Mo Qingpan** (莫輕潘), aged 46, is the General Manager of Northern China Project Management Centre. Mr. Mo joined the Group in March 2002 as the manager of construction department of Ji'nan Sunshine 100 International New Town project. He was appointed as the assistant to general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the general manager of Nanning Sunshine 100 Upper East Side International project in August 2005, the general manager of Guilin Sunshine 100 project in June 2009 and the general manager of Shenyang Sunshine 100 International New Town project and the general manager of Northern China Project Management Centre in February 2010. From May 2011 to August 2012, he also was the general manager of Yantai Sunshine 100 City Plaza Project. Prior to joining the Group, Mr. Mo worked for Bureau of Culture Affairs of Guangxi Heng County (廣西橫縣文化局) from August 1989 to November 1991 and People's Government of Guangxi Heng County Nanxiang Township (廣西橫縣南鄉鎮人民政府) from December 1991 to May 1993. He was the deputy director of People's Government of Guangxi Heng County (廣西橫縣人民政府辦公室) from July 1993 to November 1993 and the director of Administrative Office of Culture and Market of Guangxi Heng County (廣西橫縣文化市場管理辦公室) from December 1993 to November 1994 and the office director of Guangxi Institute of Fisheries (廣西水產研究所) from August 1996 to November 2001. Mr. Mo obtained a bachelor's degree in Chinese language and literature from Central University of Nationalities (中央民族大學) (formerly known as Central Institute of Nationalities (中央民族學院) in June 1989. He also completed his undergraduate studies in politics and law at the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in December 1998.

**Mr. Tang Liqun** (湯立群), aged 46, has been the Assistant to the Chief Executive Officer since June 2009 when he joined the Group and is responsible for the sales management of the Group. Prior to joining us, he served as the building manager of China World Trade Centre Co., Ltd. (中國國際貿易中心股份有限公司) from July 1989 to June 1995 and the sales manager of Nestlé (China) Co., Ltd. (雀巢(中國)有限公司) from July 1995 to March 1998. He successively worked as the VIP client manager and the regional sales operation manager of the Beijing branch of Budweiser China Sales Company Limited (百威(中國)銷售有限公司北京分公司) and the national VIP client

## Directors and Senior Management

manager of Anheuser-Busch (Shanghai) Enterprise Management Co., Ltd. (安海斯-布希企業管理(上海)有限公司) from December 2000 to June 2007. Mr. Tang obtained a college diploma in international trade from Beijing Union University (北京聯合大學) in July 1989.

**Mr. Ding Gong** (丁工), aged 47, is the Assistant to the Chief Executive Officer and is responsible for branding, marketing and popularization of the Group. He joined the Group in September 2003 as the assistant to the project general manager of Nanning Sunshine 100 City Plaza project and was appointed as the manager of promotion department of the Group in July 2005, the manager of brand development department of the Group in January 2008, the brand director of the Group in February 2010 and the assistant to the chief executive officer in September 2011. Prior to joining the Group, Mr. Ding was a tutor at Guangxi Nanning College of Education (廣西南寧教育學院) from October 1989 to January 1992 and a correspondent of Guangxi Nanning Radio Station (廣西南寧電台) from January 1992 to January 2003. Mr. Ding obtained a bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in July 1989.

**Mr. Wu Lei** (吳雷), aged 43, is the General Manager of the Central-South China Project Management Centre. Mr. Wu joined the Group in June 2002 as the manager of procurement department of Nanning Sunshine 100 City Plaza project and was appointed as the assistant to the general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the assistant to the general manager of Changsha Sunshine 100 International New Town project in January 2004, the general manager of Changsha Sunshine 100 International New Town project in April 2009 and the deputy general manager of Central-South China Project Management Centre in December 2011. Mr. Wu completed his undergraduate studies from Hubei University (湖北大學) in June 1997 and completed the advanced training courses in real estate innovative management from Tsinghua University (清華大學) in April 2009. He received a certificate as a mid-level financial analyst (中級金融師) from Ministry of Personnel, PRC (中華人民共和國人事部) in November 2001. Mr. Wu Lei is the son of Ms. Fan, a non-executive Director of the Company.

**Mr. He Jie** (賀杰), aged 53, is the Assistant to the President, and Chief Legal Officer of the Group. He is responsible for the Group's legal, administrative and information technology affairs. Mr. He joined the Group in June 2004 as legal counsel and deputy director general of the administrative office. He was appointed as administrative director general and legal counsel in January 2008 and assistant to the president and chief legal officer in January 2014. Before joining the Group, Mr. He worked at Beijing Chongwen First Law Firm (北京崇文第一法律事務所) in economic, civil, patent and other practice areas as well as acting as corporate legal counsel from 1992 to 1993. He served as the vice chairman and general manager of Beijing Fubu International Economic Consulting Services Ltd. (北京服部國際經濟諮詢有限公司) from August 1993 to May 1996. Mr. He obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1984 and then studied at the Graduate School of Salem State College, Massachusetts, U.S. from September 2002 to July 2003.

## Directors and Senior Management

**Mr. Liang Yuan** (梁源), aged 54, is the Deputy General Manager of the Group's Southern China Project Management Center (華南管理中心) and Project General Manager of Liuzhou City Plaza Project, responsible for the design and daily management in Southern China Project Management Center and day-to-day management for Liuzhou City Plaza Project. Mr. Liang joined our Group as deputy general manager of Guangxi Project Management Center and Nanning City Plaza Project in September 2003, and has been the deputy general manager of Guangxi project department and executive general manager of project department in Liuzhou Classical Era (柳州經典時代) since August 2005, the general manager of Liuzhou City Plaza Project and Classic Era project since December 2006, and the deputy general manager of the Southern China Project Management Center of Sunshine 100 since October 2011. Prior to joining our Group, Mr. Liang worked in Guangxi Second Construction Company (廣西第二建築公司) from December 1981 to June 1986. He worked in the management department of China Construction Company (中國建築總公司) in Gambia from July 1987 to January 1990, and Guangxi Second Construction Company (廣西第二建築公司) from February 1990 to March 1995. He had been a site manager of China Construction(HK) Company (中國建築香港公司) from March 1995 to February 1998 and the deputy general manager of Guangxi Second Construction Company (廣西第二建築公司) from March 1998 to August 2003. Mr. Liang obtained the title of senior engineer in 2010 and was awarded the 2013~2014 High-quality Project Contributors (優質工程突出貢獻者獎) by the Construction Companies Committee in China (中國施工企業協會) in 2014. Mr. Liang graduated from Guangxi Construction Engineering College (廣西建築工程學校) (currently known as Guangxi Polytechnic of Construction) in 1981 and obtained college diploma (correspondence) in Civil Engineering from Guilin University of Technology (桂林工學院) in 2001.

### JOINT COMPANY SECRETARIES

**Mr. Du Hongwei** (杜宏偉) is the Vice President and the Chief Financial Officer and Joint Company Secretary of the Group. For the biography of Mr. Du, please refer to the sub-section headed "Senior Management" above.

**Dr. Ngai Wai Fung** (魏偉峰), aged 53, is the Joint Company Secretary of the Company. Dr. Ngai is a director and chief executive officer of SW Corporate Services Group Limited. Dr. Ngai is currently the president of the Hong Kong Institute of Chartered Secretaries. Dr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Dr. Ngai obtained a master's degree in business administration from Andrews University in Michigan in August 1992, a bachelor's degree in law from University of Wolverhampton in the United Kingdom in October 1994, a master's degree in corporate finance from Hong Kong Polytechnic University in November 2002 and a doctoral degree in finance from Shanghai University of Finance and Economics in June 2011.

# Report of the Directors

The Board of Directors of the Company (the “**Board**”) is pleased to present the directors’ report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

## **GLOBAL OFFERING**

The Company was incorporated in the Cayman Islands on 20 September 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands (the “**Companies Law**”). The Company’s shares (the “**Shares**”) became listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 March 2014 (the “**Listing**” or the “**Listing Date**”).

## **PRINCIPAL ACTIVITIES**

The Group is principally engaged in property and land development, property investment and property management and hotel operation in China.

An analysis of the Group’s revenue for the year by principal activities is set out in note 2 to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 79 of this annual report.

## **SUBSIDIARIES**

Details of the subsidiaries at 31 December 2014 are set out in note 13 to the financial statements.

## **FINAL DIVIDENDS**

The Board did not recommend payment of any final dividend for the year ended 31 December 2014.

## **FINANCIAL SUMMARY/FINANCIAL REVIEW**

A financial summary of the Group’s results, assets, liabilities for the last five financial years are set out on pages 8 to 9 of this annual report. This summary does not form part of the audited consolidated financial statements.

## **USE OF NET PROCEEDS FROM LISTING**

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK\$1,876.1 million. As at 31 December 2014, all proceeds raised have been applied in the manner consistent with that disclosed in the Company’s prospectus dated 27 February 2014 (the “**Prospectus**”).

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 31 December 2014, purchases from the Group's five largest suppliers accounted for 11.0% (2013: 15.9%) of the Group's total purchases and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

For the year ended 31 December 2014, the Group's sales to its five largest customers accounted for 2.2% (2013: 3.4%) of the Group's revenue and the five largest customers of the Group accounted for less than 30% of the Group's revenue in the year.

None of the directors of the Company (the "**Directors**") or any of their associates or any Shareholders (which, to the best of the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

## **PROPERTY AND EQUIPMENT**

Details of movements in the property and equipment of the Company and the Group during the year ended 31 December 2014 are set out in note 11 to the financial statements.

## **INVESTMENT PROPERTIES**

Details of movements in the investment properties of the Company and the Group during the year ended 31 December 2014 are set out in note 12 to the financial statements.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year ended 31 December 2014 are set out in note 24(c) to the financial statements.

From 1 January 2014 and up to the date of this annual report, movements in the share capital of the Company are as follows:

### **(i) Increase of Authorized Share Capital**

As mentioned in the Prospectus, on 16 February 2014, the Company increased its authorized share capital to US\$50,000 and HK\$30,000,000 by the creation of an addition of 3,000,000,000 shares of par value of HK\$0.01 each. On the same date, the Company issued 39,000,000 shares of par value of HK\$0.01 each fully paid to Joywise Holdings Limited ("**Joywise**") and the Company repurchased the existing 50,000 issued shares of par value of US\$1.00 held by Joywise. As at the date of this annual report, the authorized share capital of the Company was HK\$30,000,000 divided into 3,000,000,000 shares of par value of HK\$0.01 each.

# Report of the Directors

## **(ii) Capitalization Issue**

Conditional upon the crediting of the Company's share premium account as a result of the issue of the Offer Shares (as defined in the Prospectus) pursuant to the Global Offering (as defined in the Prospectus), the Directors were authorized to capitalize the Capitalization Amount (as defined in the Prospectus) standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par the Capitalization Shares (as defined in the Prospectus) for issue and allotment to Joywise. Therefore, 1,347,715,012 shares of par value of HK\$0.01 were issued and allotted by the Company to Joywise on the Listing Date.

## **(iii) Global Offering**

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. Pursuant to the Global Offering (as defined in the Prospectus), the Company issued 500,000,000 new shares at the price of HK\$4.00 per share.

## **PROFESSIONAL TAX ADVICE RECOMMENDED**

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

## **RESERVES**

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2014 are set out on page 84 in the consolidated statement of changes in equity and in note 24(d) to the financial statements.

## **DISTRIBUTABLE RESERVES**

Details of the Company's distributable reserves as at 31 December 2014 are set out in note 24(e) to the financial statements.

## **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 21 to the financial statements.



## **DIRECTORS**

The Directors from the Listing Date up to the date of this annual report were:

### **Executive Director:**

Mr. Yi Xiaodi (*Chairman and Chief Executive Officer*) (*appointed on 20 September 2007*)

Mr. Fan Xiaochong (*appointed on 20 September 2007*)

### **Non-executive Director:**

Ms. Fan Xiaohua (*appointed on 20 September 2007*)

Mr. Joseph Raymond Gagnon (*resigned on 10 September 2014*)

### **Independent non-executive Director:**

Mr. Chen Jinsong (*appointed on 17 February 2014*)

Mr. Gu Yunchang (*appointed on 17 February 2014*)

Mr. Ng Fook Ai, Victor (*appointed on 17 February 2014*)

In accordance with articles 84(1) and 84(2) of the articles of association of the Company (the “**Articles of Association**”), Mr. Fan Xiaochong and Mr. Chen Jinsong will retire from office, and being eligible, have been recommended by the Board for re-election as Directors at the forthcoming annual general meeting of the Company to be held on 26 June 2015 (the “**AGM**”).

## **BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and senior management of the Group are set out on pages 36 to 43 of this annual report.

## **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

During the year ended 31 December 2014, the Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) from each of the independent non-executive Directors for the period from the Listing Date up to the date of this annual report.

## **DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS**

None of the Directors has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

For the details of the service contracts and the appointment letters of each of the Directors, please see the section headed “Corporate Governance Report” in this annual report.

# Report of the Directors

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

## **EMOLUMENT POLICY**

A remuneration committee of the Board (the “**Remuneration Committee**”) was set up for reviewing the Group’s emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The Company has adopted a share option scheme (the “**Share Option Scheme**”) as incentive to eligible participants, details of the Share Option Scheme are set out in the sub-section headed “Share Option Scheme” below.

## **REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 6 and 7 to the financial statements.

Save that Mr. Joseph Raymond Gagnon, the former non-executive Director, has agreed not to receive any remuneration under his appointment letter with the Company, no Director has waived or has agreed to waive any emoluments during the year ended 31 December 2014.

## **CHANGES TO INFORMATION IN RESPECT OF DIRECTORS**

From the Listing Date up to the date of this annual report, there were no changes to the information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this annual report, the interests or short positions of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

### (i) Interests in the Company

Name of Director	Capacities in which interests are held	Interests in Shares	Approximate percentage of issued share capital of the Company	Notes
Yi Xiaodi	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,386,715,012 (L)	69.34%	1, 2, 3
Fan Xiaochong	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,386,715,012 (L)	69.34%	1, 2, 4
Fan Xiaohua	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,386,715,012 (L)	69.34%	1, 2, 5

Notes:

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) 40% of the issued share capital of Joywise is held by Ming Fai International Limited (“Ming Fai”) and 60% of the issued share capital of Joywise is held by Harvest Well Holdings Limited (“Harvest Well”). Both Ming Fai and Harvest Well are deemed under the SFO to be interested in the Shares held by Joywise. 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above, Fantasy Races Limited is deemed under the SFO to be interested in the Shares held by Joywise.

# Report of the Directors

- (3) Mr. Yi Xiaodi is the founder of the discretionary family trust, the discretionary beneficiaries of which are Mr. Yi Xiaodi, his family members and other persons who may be added from time to time (the “**Yi Family Trust**”). By virtue of the SFO, he is deemed to be interested in the Shares which Fantastic Magician Limited is interested in.

Mr. Yi Xiaodi is also one of the founders of the discretionary investment collective trust established by Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua, Mr. Jin Xiangfei, Ms. Liu Chaohui, Mr. Tian Feng, Mr. Li Mingqiang (the “**Individual Controlling Shareholders**”), the discretionary beneficiaries of which are the Individual Controlling Shareholders and other persons who may be added from time to time (the “**Sunshine Trust I**”). By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Yi Xiaodi is one of the parties to each of the concert party agreement dated 12 August 2010 entered into between Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua and Mr. Liao Chimei (the “**2010 Agreement**”) and the concert party agreement dated 1 August 2013 entered into among the Individual Controlling Shareholders (the “**2013 Agreement**”). By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Yi Xiaodi is deemed under the SFO to be interested in the Shares held by Joywise.

- (4) Mr. Fan Xiaochong is the founder of the discretionary family trust, the discretionary beneficiaries of which are Mr. Fan Xiaochong, his family members and other persons who may be added from time to time (the “**FXC Family Trust**”). By virtue of the SFO, he is deemed to be interested in the Shares which True Passion Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of the Sunshine Trust I. By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Fan Xiaochong is also the founder of the discretionary collective trust established by the Individual Controlling Shareholders, the discretionary beneficiaries of which are three persons and other persons who may be added from time to time (the “**Sunshine Trust II**”). By virtue of the SFO, he is deemed to be interested in the Shares which Floral Crystal Limited is interested in.

Mr. Fan Xiaochong is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Fan Xiaochong is deemed under the SFO to be interested in the Shares held by Joywise.

- (5) Ms. Fan Xiaohua is the founder of the discretionary family trust, the discretionary beneficiaries of which are Ms. Fan Xiaohua, his family members and other persons who may be added from time to time (the “**FXH Family Trust**”). By virtue of the SFO, she is deemed to be interested in the Shares which Glorious Glory Limited is interested in.

Ms. Fan Xiaohua is also one of the founders of the Sunshine Trust I. By virtue of the SFO, she is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

# Report of the Directors

Ms. Fan Xiaohua is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Ms. Fan Xiaohua is deemed under the SFO to be interested in the Shares held by Joywise.

## (ii) Interests in associated corporations

Name of Director	Capacities in which interests are held	Name of associated corporation	Interests in shares	Percentage of shareholding	Notes
Yi Xiaodi	Persons acting in concert Founder of discretionary trusts	Harvest Well	50,000	100%	1
Fan Xiaochong	Persons acting in concert Founder of discretionary trusts	Harvest Well	50,000	100%	2
Fan Xiaohua	Persons acting in concert Founder of discretionary trusts	Harvest Well	50,000	100%	3
Yi Xiaodi	Persons acting in concert Interest of a controlled corporation Founder of discretionary trusts	Joywise	50,000	100%	4
Fan Xiaochong	Persons acting in concert Interest of a controlled corporation Founder of discretionary trusts	Joywise	50,000	100%	5
Fan Xiaohua	Persons acting in concert Interest of a controlled corporation Founder of discretionary trusts	Joywise	50,000	100%	6
Yi Xiaodi	Persons acting in concert Founder of discretionary trusts	Ming Fai	50,000	100%	1

# Report of the Directors

Name of Director	Capacities in which interests are held	Name of associated corporation	Interests in shares	Percentage of shareholding	Notes
Fan Xiaochong	Persons acting in concert Founder of discretionary trusts	Ming Fai	50,000	100%	2
Fan Xiaohua	Persons acting in concert Founder of discretionary trusts	Ming Fai	50,000	100%	3

Notes:

- (1) Please refer to Note 3 in the sub-section above headed "(i) Interest in the Company".
- (2) Please refer to Note 4 in the sub-section above headed "(i) Interest in the Company".
- (3) Please refer to Note 5 in the sub-section above headed "(i) Interest in the Company".
- (4) Please refer to Notes 2 and 3 in the sub-section above headed "(i) Interest in the Company".
- (5) Please refer to Notes 2 and 4 in the sub-section above headed "(i) Interest in the Company".
- (6) Please refer to Notes 2 and 5 in the sub-section above headed "(i) Interest in the Company".

Save as disclosed above, as at the date of this annual report, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Report of the Directors

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2014 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this annual report, to the best of the knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Joywise	Beneficial owner	1,386,715,012 (L)	69.34%	1
Ming Fai	Interest of a controlled corporation	1,386,715,012 (L)	69.34%	1, 2
Harvest Well	Interest of a controlled corporation	1,386,715,012 (L)	69.34%	1, 3
Fantasy Races Limited	Interest of a controlled corporation	1,386,715,012 (L)	69.34%	1, 4
Jin Xiangfei	Persons acting in concert	1,386,715,012 (L)	69.34%	1, 5
	Interest of a controlled corporation			
	Founder of a discretionary trust			
Liu Chaohui	Persons acting in concert	1,386,715,012 (L)	69.34%	1, 6
	Interest of a controlled corporation			
	Founder of a discretionary trust			
Tian Feng	Persons acting in concert	1,386,715,012 (L)	69.34%	1, 7
	Interest of a controlled corporation			
	Founder of a discretionary trust			
Li Mingqiang	Persons acting in concert	1,386,715,012 (L)	69.34%	1, 8
	Interest of a controlled corporation			
	Founder of a discretionary trust			
Cititrust Private Trust (Cayman) Limited	Trustee	1,386,715,012 (L)	69.34%	1, 9
	Interest of a controlled corporation			
Liao Chimei	Persons acting in concert	1,386,715,012 (L)	69.34%	1, 10
	Interest of a controlled corporation			

# Report of the Directors

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Riverside 100 Holdings A LLC	Others Beneficial owner	113,284,988 (L) 113,234,988 (S)	5.66% 5.66%	1, 11
Warburg Pincus & Co.	Others Interest of a controlled corporation	113,284,988 (L) 113,284,988 (S)	5.66% 5.66%	1, 11
Warburg Pincus Partners LLC	Others Interest of a controlled corporation	113,284,988 (L) 113,284,988 (S)	5.66% 5.66%	1, 11
Warburg Pincus Real Estate I GP, LLC	Others Interest of a controlled corporation	113,284,988 (L) 113,284,988 (S)	5.66% 5.66%	1, 11
Warburg Pincus Real Estate I, L.P.	Others Interest of a controlled corporation	113,284,988 (L) 113,284,988 (S)	5.66% 5.66%	1, 11
WP RE Alpine International Ltd	Others Interest of a controlled corporation	113,284,988 (L) 113,284,988 (S)	5.66% 5.66%	1, 11
Asia Equity Value Ltd.	Beneficial interest Security interest	55,714,000 (L) 128,700,000 (L)	2.79% 6.43%	

Notes:

- (1) The letter "L" denotes the person's long position in the Shares, and letter "S" denotes the person's short position in the Shares.
- (2) 40% of the issued share capital of Joywise is held by Ming Fai. Ming Fai is deemed under the SFO to be interested in the Shares held by Joywise.
- (3) 60% of the issued share capital of Joywise is held by Harvest Well. Harvest Well is deemed under the SFO to be interested in the Shares held by Joywise.
- (4) 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited.

In light of the above and notes 2 and 3, Fantasy Races Limited is deemed under the SFO to be interested in the Shares held by Joywise.

- (5) Mr. Jin Xiangfei is the founder of the discretionary family trust, the discretionary beneficiaries of which are Mr. Jin Xiangfei, his family members and other persons who may be added from time to time (the "**Jin Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Creative Goal Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.



## Report of the Directors

Mr. Jin Xiangfei is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in.

In light of the above and the other notes, Mr. Jin Xiangfei is deemed under the SFO to be interested in the Shares held by Joywise.

- (6) Ms. Liu Chaohui is the founder of the discretionary family trust, the discretionary beneficiaries of which are Ms. Liu Chaohui, her family members and other persons who may be added from time to time (the **"Liu Family Trust"**). By virtue of the SFO, she is deemed to be interested in the Shares which Butterfly Fairy Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

Ms. Liu Chaohui is one of the parties to the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to that agreement are interested in.

In light of the above and the other notes, Ms. Liu Chaohui is deemed under the SFO to be interested in the Shares held by Joywise.

- (7) Mr. Tian Feng is the founder of the discretionary family trust, the discretionary beneficiaries of which are Mr. Tian Feng, his family members and other persons who may be added from time to time (the **"Tian Family Trust"**). By virtue of the SFO, he is deemed to be interested in the Shares which Happy Sunshine Limited is interested in.

Mr. Tian Feng is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Tian Feng is deemed under the SFO to be interested in the Shares held by Joywise.

- (8) Mr. Li Mingqiang is the founder of the discretionary family trust, the discretionary beneficiaries of which are Mr. Li Mingqiang, his family members and other persons who may be added from time to time (the **"Li Family Trust"**). By virtue of the SFO, he is deemed to be interested in the Shares which Ultimate Triumph Investments Limited is interested in.

Mr. Li Mingqiang is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Li Mingqiang is deemed under the SFO to be interested in the Shares held by Joywise.

- (9) Cititrust Private Trust (Cayman) Limited (the **"Trustee"**) is the trustee under the Yi Family Trust, the FXC Family Trust, the FXH Family Trust, the Jin Family Trust, the Tian Family Trust, the Liu Family Trust, the Li Family Trust, the Sunshine Trust I and the Sunshine Trust II. For details of these trusts, see "History, Reorganization and Group Structure — Establishment of Offshore Trusts" from page 121 to page 122 of the Prospectus.

In light of the above and notes 2 and 3, the Trustee is deemed under the SFO to be interested in the Shares held by Joywise.

# Report of the Directors

- (10) Mr. Liao Chimei is one of the parties to the 2010 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement (namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua) are interested in. By virtue of the 2013 Agreement, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua are deemed to be interested in the Shares which Mr. Jin Xiangfei, Ms. Liu Chaohui, Mr. Tian Feng and Mr. Li Mingqiang are interested in.

In light of the above and the other notes, Mr. Liao Chimei is deemed under the SFO to be interested in the Shares held by Joywise.

- (11) Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus Real Estate I GP, LLC, Warburg Pincus Real Estate I, L.P. and WP RE Alpine International Ltd hold, directly or indirectly, one-third or above interests in Riverside 100 Holdings A LLC, respectively. Therefore, Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus Real Estate I GP, LLC, Warburg Pincus Real Estate I, L.P. and WP RE Alpine International Ltd are deemed under the SFO to be interested in the Shares held by Riverside 100 Holdings A LLC.

Save as disclosed above, and as at the date of this annual report, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## **CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No controlling shareholders (as defined in the Listing Rules) or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014.

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

The Company issued 12.75% senior notes due 2017 (the “**Notes**”) with a total principal amount of US\$115 million on 9 October 2014, and further issued 12.75% senior notes due 2017 with a total principal amount of US\$100 million on 12 December 2014 (the “**Additional Notes**”). Both the Notes and the Additional Notes are listed on the Hong Kong Stock Exchange. The proceeds raised from the issuance of the Notes and the Additional Notes were approximately US\$215 million. The net proceeds from the issuance of the Notes and the Additional Notes were used for repayment of debts, with the remaining amounts for investment in existing and new real estate projects and for general corporate purposes.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company’s listed shares since the Listing Date up to the date of this annual report.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law or the laws of the Cayman Islands where the Company was incorporated which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

## **NON-COMPETITION UNDERTAKING**

Each of the Individual Controlling Shareholders, Joywise, Ming Fai, Harvest Well (together with the Individual Controlling Shareholders, the “**Controlling Shareholders**”) has, under the deed of non-competition dated 17 February 2014 (the “**Deed of Non-Competition**”), undertaken and covenanted with the Company that for so long as they and/or their respective associates (as defined in the Listing Rules), directly or indirectly, whether individually or taken together, remain the Controlling Shareholders of the Company, each of them will not, and will procure his associates not to directly or indirectly, (including through any controlled company, associate, body corporate, partnership, joint venture or other contractual arrangement) carry on, engage, invest, participate or otherwise be interested in the property development business in the PRC.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the Deed of Non-Competition for disclosure in this annual report during the year ended 31 December 2014.

## **EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at 31 December 2014, none of the executive Directors or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competes or may compete with the businesses of the Group.

## **CONNECTED TRANSACTIONS**

Connected transactions entered into by the Group for the year ended 31 December 2014 are set out as follows:

On 15 August 2014 after trading hours, Sunshine 100 Group, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Guangxi Laomumian (controlled by Mr. Chen Meng, who is a director of a number of the subsidiaries of the Company), pursuant to which Sunshine 100 Group acquired 70% of the equity interest in Guilin Sunshine 100 and the shareholder's loan owed to Guangxi Laomumian by Guilin Sunshine 100 for a total consideration of RMB167,826,892. On 30 September 2014, Sunshine 100 Group assigned all its rights, obligations and responsibilities under the share purchase agreement to Yantai Sunshine, a wholly-owned subsidiary of the Sunshine 100 Group. After completion of the purchase of equity interest, Guilin Sunshine 100 will become a wholly-owned subsidiary of the Company, which would be beneficial to Sunshine 100 Group in leading the management operation of the projects under Guilin Sunshine 100. This is also conducive to the Company's control over the use of the “Sunshine 100” brand.

On 12 December 2014 after trading hours, Sunshine 100 Group entered into an equity transfer agreement with Hangzhou Hengxin 100 (a wholly-owned subsidiary of the Group) and Yangpu Guangsheng (wholly owned by Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua, Mr. Jin Xiangfei, Mr. Liao Chimei, Mr. Tian Feng, Ms. Liu Chaohui

## Report of the Directors

and Mr. Li Mingqiang, the controlling shareholders of the Group) to acquire 49% of the equity interest in Beijing Yinxin from Yangpu Guangsheng for a consideration of RMB227,800,000. The transfer may reduce potential connected transactions of the Company and resolve potential competition issues between Beijing Yinxin and the Group. Furthermore, the transfer is beneficial to the Company as it can share the operational profits of Beijing Yinxin by way of dividends. After the transfer, Sunshine 100 Group will hold, through Hangzhou Hengxin 100, 49% of the equity interest in Beijing Yinxin.

Furthermore, the Group engages in property development in China, which is a business operation that requires external funding. In addition to traditional bank loans, developers in China may obtain other facilities from trust finance companies by pledging their equity interests in project companies and lands. As at 31 December 2014, the Group had entered into certain trust financing arrangements and lending facility arrangements with connected persons in the ordinary course of business. Such trust financing arrangements and lending facility arrangements involved the provision of financial assistance by connected persons which are not exempt from the requirements in relation to connected transactions under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules and are required to be disclosed in this annual report in compliance with the conditions of waivers previously granted by the Stock Exchange. For details of such arrangements, please see paragraphs 8 to 17 under the section headed “Connected Transactions” in the Prospectus.

Details of continuing connected transactions entered into by the Group for the year ended 31 December 2014 are set out as follows:

Yantai Sunshine 100 Commercial Development Co., Ltd. (煙台陽光壹佰商業發展有限公司) (“**Yantai Commercial**”), an indirect wholly-owned subsidiary of the Company, entered into a lease agreement for a term of ten years starting from 15 March 2011 with Yantai Shenghe Department Store Co., Ltd. (煙台盛和百貨有限公司) (“**Yantai Shenghe**”), pursuant to which Yantai Commercial leased certain units situated at the Lower Ground Level 1 of Block T and Level 1 to Level 4 of Block S1 of Yantai Sunshine 100 City Plaza, 26 Harbour Road, Zhifu District, Yantai, the PRC (the “**Yantai Properties**”) with an aggregate gross floor area of 33,617.21 sq.m. to Yantai Shenghe for commercial use. Yantai Commercial have entered into an amended property leasing agreement on 17 February 2014, (the “**Yantai Amended Property Leasing Agreement**”) with Yantai Shenghe regarding the terms and conditions for the lease of the Yantai Properties for a period commencing from 17 February 2014 and ending on 31 December 2015 which superseded and replaced the original lease agreement.

Pursuant to the Yantai Amended Property Leasing Agreement, the annual rental payable by Yantai Shenghe to us for the three years ending 31 December 2015 would be approximately RMB11,300,000, RMB12,200,000 and RMB12,400,000 (excluding management fees which shall be paid by Yantai Shenghe directly to the property management company and utilities expense which shall be paid by Yantai Shenghe to relevant utility service providers) which are determined based on prevailing market rate. Yantai Shenghe is a wholly-owned subsidiary of Guangxi Jiexiang, a company owned as to 60% by Ms. Fan Xiaohua, a Director and one of the Controlling Shareholders, and Yantai Shenghe is therefore an associate of Ms. Fan Xiaohua, hence, it is a connected person of the Company.

## Report of the Directors

As each of the applicable percentage ratios (other than the profits ratio) in relation to the amount payable by Yantai Shenghe to Yantai Commercial under the Yantai Amended Property Leasing Agreement is lower than 5%, such transaction is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules but subject to the annual review requirements set out in Rules 14A.55 to 14A.59 of the Listing Rules and the reporting and announcement requirements set out in Rule 14A.35 of the Listing Rules.

The continuing connected transaction mentioned above has been reviewed by the independent non-executive Directors who have confirmed that the transaction has been entered into: (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms; and (c) in accordance with the relevant agreement governing such transaction on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions or continuing connected transactions, made during the year ended 31 December 2014 is disclosed in note 28 to the financial statements.

### **LITIGATION RELATED TO CHENGDU PRIMARY LAND DEVELOPMENT PROJECT**

In 2005 and 2007, the Group entered into a series of co-operation framework agreements with local government authorities of Chenghua District, Chengdu to conduct primary development of a parcel of land located in the district. Pursuant to these framework agreements, the Group was responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. It was agreed that if the land is sold at a premium greater than the cost we have incurred to prepare it and if we win the bid at the auction, we will be entitled to deduct our incurred cost from the land premium to be paid; if, however, another developer wins the bid at the auction, the local government shall, within seven days it receives the land premium from the purchaser, pay the same to us (after deduction of an agreed fixed amount as the government's share of the profit from the land sale).

# Report of the Directors

The project consists of four phases with site areas of approximately 244,361 sq.m., 59,967 sq.m., 14,667 sq.m. and 109,334 sq.m. respectively. Phase I was completed and the underlying land was sold through a public auction to a third party in July 2007. The land premium was paid to the Chenghua district government in 2008, and it began to make payments to us pursuant to the framework agreements with us. We cumulatively received approximately RMB1,927.0 million from the Chenghua district government out of such land premium proceeds. A remaining land premiums that we are entitled to, in the amount of RMB581.1 million, however, remained unpaid and stayed on our balance sheet as an overdue trade receivable.

On 28 January 2015, the Group commenced proceedings in the High People's Court of Sichuan Province against the People's Government of Chenghua district, Chengdu and Reconstruction and Development Office of Dangerous Buildings of Chenghua District, Chengdu (成都成華區危房改造開發辦公室) for a payment of such land premiums (land clearance income) and fees of RMB15 million, which totaled RMB596.1 million. As at 10 February 2015, the High People's Court of Sichuan Province announced that they have accepted the case, but the case has yet to be heard as at the date of this annual report. The Company will publish relevant announcements on the website of the Stock Exchange when there is any material development in respect of the case.

## **SHARE OPTION SCHEME**

The Company adopted the Share Option Scheme on 17 February 2014.

### **1. Purpose**

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their Contribution they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

## 2. Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below to:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers, distributors and agents to the Company or any of its subsidiaries; and
- (iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

## 3. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (as defined in the Prospectus), being 200,000,000 Shares.

## 4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

## 5. Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will be at less the higher of:

# Report of the Directors

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

## 6. Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

## 7. Restrictions on the times of grant of options

A grant of options may not be made when inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's annual results, half year, quarterly or other interim period (whether or not required under the Listing Rules);
- (ii) the deadline for the Company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules: and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be),

and where the grant of options is to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.



## 8. Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

## 9. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme, subject to earlier termination by the Company in general meeting or by the Board. The Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the Shares in issue on the date of Listing. The Company may at any time refresh such limit subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

As at the date of this annual report, no option under the Share Option Scheme has been granted by the Company.

## CHARITABLE DONATIONS

During the year ended 31 December 2014, the Group made charitable donations of approximately RMB0.2 million.

## POST BALANCE SHEET EVENTS

The Group has no material post balance sheet events which are required to be disclosed in the audited financial statements.

## AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

# Report of the Directors

## **CORPORATE GOVERNANCE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has adopted and complied with all the applicable provisions under the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, except for the following deviations from Code Provisions A.2.1 which are described in further details in the section headed “Corporate Governance Report” in this annual report. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 65 to 76 of this annual report.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 June 2015 to Friday, 26 June 2015, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificate must be lodged with the Company’s Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 23 June 2015.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on public information available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the requirements of the Listing Rules since the Listing Date up to the date of this annual report.

## **AUDITOR**

KPMG has acted as auditor of the Company for the year ended 31 December 2014.

KPMG shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the AGM.

On behalf of the Board

**Yi Xiaodi**

*Chairman and Executive Director*

Beijing, the PRC, 27 March 2015

# Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2014.

## **CORPORATE GOVERNANCE PRACTICES**

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of the shareholders of the Company and enhance corporate value and accountability of the Company. Since the Listing Date, the Company has adopted and complied with all the applicable code provisions (the “**Code Provision(s)**”) under the CG Code, except for the following deviation:

The Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yi Xiaodi is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting the operations of the Group. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Yi and believes that his appointment to the positions of Chairman and Chief Executive Officer is beneficial to the business prospects of the Group.

## **THE BOARD**

### **Responsibilities**

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

### **Board Composition**

The Board currently comprises two executive Directors, namely Mr. Yi Xiaodi and Mr. Fan Xiaochong, one non-executive Director, namely Ms. Fan Xiaohua and three independent non-executive Directors, namely Mr. Chen Jinsong, Mr. Gu Yunchang and Mr. Ng Fook Ai, Victor. The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

# Corporate Governance Report

Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, which represents at least one-third of the Board, one independent non-executive Director, namely Mr. Ng Fook Ai, Victor, is equipped with appropriate professional qualifications or adequate accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Save as disclosed in the biographies of the Directors as set out under the section headed “Directors and Senior Management” of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

## **Diversity of the Board**

In order to enhance the efficiency of the Board and corporate governance standard of the Company, the Board should maintain a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors) so that the Board is highly independent and is able to make independent judgements efficiently. In selecting candidates, a diversified perspective, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and confirm the progress on achieving such objectives.

As regards the Code Provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors will disclose their commitments to the Company annually.

## **Training and Continuous Professional Development**

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company’s operations and businesses as well as his/her responsibilities

# Corporate Governance Report

under relevant statutes, laws, rules and regulations. The Company will also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. All Directors have provided their training records to the Company.

## **Chairman and Chief Executive Officer**

Under the current organization structure of the Company, Mr. Yi Xiaodi is the Chairman of the Board and the Chief Executive Officer. The reason for the two roles being vested in the same individual was set out in the sub-section headed "Corporate Governance Practices" above.

## **Appointment, Re-Election and Removal of Directors**

Each of the executive Directors has entered into a service contract with the Company under which he has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Ms. Fan Xiaohua, the non-executive Director, has entered into a service contract with the Company under which she agreed to act as non-executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the non-executive Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from the Listing Date.

In accordance with the Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company but every Director is subject to retirement by rotation at least once every three years and, being eligible, can offer himself for re-election at the annual general meeting. Any new Director appointed by the Board to fill a causal vacancy is subject to re-election by the Shareholders at the first annual general meeting of the Company after appointment. Any new Director appointed as an addition to the Board is subject to re-election by Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

# Corporate Governance Report

## Board Meetings

The Company will adopt the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other meetings of the Board and the Board Committees, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or members of the relevant Board Committees at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or members of the relevant Board Committees are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Sufficient details of the matters considered, decisions reached and concerns raised by any Directors are recorded in the minutes of the meetings of the Board and Board Committees. Draft minutes of each meeting of the Board or Board Committees are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Since the Listing Date and up to the date of this annual report, 4 Board meetings were held and the attendance is set out in the table below:

	2013		2014	
	Annual Results	Interim Results	Yinxin Guanghua project	Acquisition of Saipan project
<b>Executive Directors</b>				
Mr. Yi Xiaodi	√	√	√	√
Mr. Fan Xiaochong	√	√	√	√
<b>Non-executive Director</b>				
Ms. Fan Xiaohua	√	√	√	
<b>Independent non-executive Directors</b>				
Mr. Chen Jinsong	√	√	√	
Mr. Gu Yunchang	√	√	√	√
Mr. Ng Fook Ai, Victor	√	√	√	√

√ represents attending the meeting

# Corporate Governance Report

## **Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

## **Delegation by the Board**

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors have the option to obtain independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions are entered into by the management.

## **Corporate Governance Functions**

The Board recognizes that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include the following:

- to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

# Corporate Governance Report

## **BOARD COMMITTEES**

### **Nomination Committee**

The Nomination Committee currently comprises three members, namely Mr. Yi Xiaodi (chairman), Mr. Chen Jinsong and Mr. Gu Yunchang, the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of independent non-executive Directors;
- to make recommendations to the Board on appointment or re-appointment of directors and succession planning for Directors, in particular the chairman and the chief executive; and
- to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

The Nomination Committee will assess the candidate or the incumbent on criteria such as skills, knowledge, experience and diversity of perspectives. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.



# Corporate Governance Report

Since the Listing Date and up to the date of this annual report, 1 meeting was held by the Nomination Committee and the attendance is set out in the table below:

2014 Interim Results	
-------------------------	--

## **Executive Directors**

Mr. Yi Xiaodi √

## **Independent non-executive Directors**

Mr. Chen Jinsong √

Mr. Gu Yunchang √

√ represents attending the meeting

## **Remuneration Committee**

The Remuneration Committee comprises three members, namely Mr. Chen Jinsong (chairman), Mr. Fan Xiaochong and Mr. Gu Yunchang, the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include but not limited to the following:

- to make recommendations to the Board on the Company's policy and structure of all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

# Corporate Governance Report

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- to consider and approve the granting of share options to eligible participants under the Share Option Scheme.

The Remuneration Committee is also responsible for ensuring that no Director or any of his/her associates (as defined in the Listing Rules) will participate in deciding his/her own remuneration, which remuneration will be determined by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Since the Listing Date and up to the date of this annual report, 1 meeting was held by the Remuneration Committee and the attendance is set out in the table below:

		2014 Interim Results
<b>Executive Directors</b>		
Mr. Yi Xiaodi		√
<b>Independent non-executive Directors</b>		
Mr. Chen Jinsong		√
Mr. Gu Yunchang		√

√ represents attending the meeting

Details of the remuneration by band of the 12 members of the senior management of the Company, whose biographies are set out on pages 36 to 43 of this annual report, for the year ended 31 December 2014 are set out below:

Remuneration band (RMB'000)	Number of individuals
Below 1,000	4
1,000 to 2,000	7
2,001 to 3,000	1
3,001 to 4,000	0

# Corporate Governance Report

## Audit Committee

The Audit Committee comprises all the three independent non-executive Directors namely, Mr. Ng Fook Ai, Victor (chairman), Mr. Chen Jinsong and Mr. Gu Yunchang. The main duties of the Audit Committee include the following:

- to deal with the relationship with the Company's external auditors;
- to review the Company's financial information;
- to oversee the Company's financial reporting system and internal control procedures; and
- to perform the Company's corporate governance functions.

Since the Listing Date and up to the date of this annual report, 2 meetings were held by the Audit Committee and the attendance is set out in the table below:

	2013 Annual Results	2014 Interim Results
<b><i>Independent non-executive Directors</i></b>		
Mr. Chen Jinsong	√	√
Mr. Gu Yunchang	√	√
Mr. Ng Fook Ai, Victor	√	√

√ represents attending the meeting

The Audit Committee reviewed the financial control system, crisis management and internal control processes and assessed their effectiveness considering the factors including the adequacy of resources for financial reporting, staff qualifications and experience, training programmes and the budget of the Company's accounting and financial reporting function. The Audit Committee also reviewed the state of the Company's corporate governance against the criteria set out in the CG Code and considered the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

# Corporate Governance Report

The members of the Audit Committee also reviewed the preliminary results of the Company and its subsidiaries for the year ended 31 December 2014 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

## **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 77 to 78 of this annual report.

## **INTERNAL CONTROL**

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholder investments and the Group's assets and reviewing the effectiveness of such system on an annual basis.

The Audit Committee, pursuant to its terms of reference, has conducted reviews on the effectiveness of the internal control system of the Company since the Listing Date, and considered the internal control system to be effective and adequate. The Audit Committee will continue to review the internal control system regularly in the future.

## **AUDITOR'S REMUNERATION**

The external auditor's annual audit fees of the Group for the year ended 31 December 2014 are estimated to be approximately RMB3.4 million. The Group incurred approximately RMB4.0 million in 2014 for services provided by external auditor in connection with the annual audit and the review of the interim financial report.

# Corporate Governance Report

## **JOINT COMPANY SECRETARIES**

In order to uphold good corporate governance and ensure compliance with the Listing Rules, the Company has engaged Dr. Ngai Wai Fung (“**Dr. Ngai**”), a director and chief executive officer of SW Corporate Services Group Limited (a corporate service provider) and Mr. Du Hongwei (“**Mr. Du**”), the vice president and the chief financial officer of the Group, as its joint company secretaries. Dr. Ngai and Mr. Du are responsible for advising the Board on corporate governance matters and ensuring that the Board complies with the applicable policies and procedures, and the applicable laws, rules and regulations. The primary corporate contact person at the Company is Mr. Du, the joint company secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, Dr. Ngai and Mr. Du have undertaken not less than 15 hours of relevant professional training in the year ended 31 December 2014.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS**

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group’s business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. The primary contact person of the Company is Mr. Du, the vice president and the chief financial officer of the Company.

The AGM of the Company provides an opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGM to answer shareholders’ questions. The external auditor of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor’s independence.

To promote effective communication, the Company adopts a shareholders’ communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at [www.ss100.com.cn](http://www.ss100.com.cn), where up-to-date information on the Company’s business operations and developments, financial information, corporate governance practices and other information are available for public access.

## **SHAREHOLDERS’ RIGHTS**

To safeguard shareholders’ interests and rights, a separate resolution will be proposed for each issue raised at a general meeting, including the election of individual Directors. All resolutions put forward at a general meeting will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

# Corporate Governance Report

## **Calling extraordinary general meeting and putting forward proposals**

Shareholders may put forward proposals for consideration at a general meeting according to Article 58 of the Articles of Association.

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

Such requisition shall be made in writing to the Board or the joint company secretaries of the Company by the following channels:

Address: 18/F, Tesbury Centre,  
28 Queen's Road East,  
Wanchai, Hong Kong  
Email: ir@ss100.com.cn

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards to how to nominate a person to stand for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

## **Enquiries to the Board**

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (email address ir@ss100.com.cn).

## **CHANGE IN CONSTITUTIONAL DOCUMENTS**

The Articles of Association was adopted by the Board on 17 February 2014 and became effective on the Listing Date. A copy of the Articles of Association is available on the websites of the Company and the Stock Exchange. During the period from the Listing Date up to the date of this annual report, there was no significant change in constitutional documents of the Company.

# Independent Auditor's Report



## **Independent auditor's report to the shareholders of**

### **Sunshine 100 China Holdings Ltd**

*(Incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Sunshine 100 China Holdings Ltd ("the Company") and its subsidiaries (together referred to as "the Group") set out on pages 79 to 196, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

# Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

27 March 2015



# Consolidated Statement of Comprehensive Income

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

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>Revenue</b>	2	<b>7,103,681</b>	5,769,384
Cost of sales		<b>(5,598,150)</b>	(4,119,327)
<b>Gross profit</b>		<b>1,505,531</b>	1,650,057
Valuation gains on investment properties	12	<b>387,763</b>	243,454
Other income	3	<b>254,888</b>	27,767
Selling expenses		<b>(372,241)</b>	(283,883)
Administrative expenses		<b>(406,326)</b>	(333,601)
Other operating expenses		<b>(57,913)</b>	(28,398)
<b>Profit from operations</b>		<b>1,311,702</b>	1,275,396
Financial income	4(a)	<b>68,946</b>	44,467
Financial expenses	4(a)	<b>(144,776)</b>	(232,878)
Share of profits less losses of associates	14	<b>73,797</b>	28,075
<b>Profit before taxation</b>	4	<b>1,309,669</b>	1,115,060
Income tax	5	<b>(499,478)</b>	(484,218)
<b>Profit for the year</b>		<b>810,191</b>	630,842
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive income for the year</b>		<b>810,191</b>	630,842
<b>Profit and total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>766,543</b>	672,050
Non-controlling interests		<b>43,648</b>	(41,208)
<b>Total comprehensive income for the year</b>		<b>810,191</b>	630,842
<b>Basic and diluted earnings per share (RMB)</b>	9	<b>0.41</b>	0.48

The accompanying notes on pages 87 to 196 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 24(b).

# Consolidated Balance Sheet

At 31 December 2014  
(Expressed in Renminbi)

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>Non-current assets</b>			
Property and equipment	11	<b>966,940</b>	763,345
Investment properties	12	<b>5,946,189</b>	4,392,572
Restricted deposits	19	<b>399,453</b>	402,771
Investments in associates	14	<b>118,423</b>	163,162
Trade and other receivables	18	<b>54,705</b>	—
Deferred tax assets	15(b)	<b>500,725</b>	466,448
<b>Total non-current assets</b>		<b>7,986,435</b>	6,188,298
<b>Current assets</b>			
Properties under development and completed properties held for sale	16	<b>19,795,763</b>	15,521,469
Land development for sale	17	<b>752,809</b>	680,006
Trade and other receivables	18	<b>3,249,831</b>	2,739,095
Restricted deposits	19	<b>728,461</b>	1,557,354
Cash and cash equivalents	20	<b>2,557,846</b>	1,216,524
<b>Total current assets</b>		<b>27,084,710</b>	21,714,448
<b>Current liabilities</b>			
Loans and borrowings	21	<b>8,003,546</b>	5,050,302
Trade and other payables	22	<b>6,736,907</b>	3,737,109
Contract retention payables		<b>159,115</b>	54,380
Sales deposits	23	<b>4,077,342</b>	4,477,771
Current tax liabilities	15(a)	<b>925,787</b>	850,990
<b>Total current liabilities</b>		<b>19,902,697</b>	14,170,552
<b>Net current assets</b>		<b>7,182,013</b>	7,543,896
<b>Total assets less current liabilities</b>		<b>15,168,448</b>	13,732,194

The notes on pages 87 to 196 form part of these financial statements.

# Consolidated Balance Sheet (continued)

At 31 December 2014  
(Expressed in Renminbi)

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>Non-current liabilities</b>			
Loans and borrowings	21	<b>6,837,472</b>	8,751,735
Contract retention payables		<b>224,009</b>	209,712
Trade and other payables	22	<b>1,281,930</b>	1,131,264
Deferred tax liabilities	15(b)	<b>1,309,009</b>	888,090
<b>Total non-current liabilities</b>		<b>9,652,420</b>	10,980,801
<hr/>			
<b>NET ASSETS</b>		<b>5,516,028</b>	2,751,393
<hr/>			
<b>CAPITAL AND RESERVES</b>			
Share capital	24	<b>15,760</b>	376
Reserves		<b>4,604,115</b>	1,991,683
<b>Total equity attributable to equity shareholders of the Company</b>		<b>4,619,875</b>	1,992,059
<b>Non-controlling interests</b>		<b>896,153</b>	759,334
<b>TOTAL EQUITY</b>		<b>5,516,028</b>	2,751,393

Approved and authorised for issue by the board of directors on 27 March 2015.

**YI Xiaodi**  
*Directors*

**FAN Xiaochong**  
*Directors*

The notes on pages 87 to 196 form part of these financial statements.

# Balance Sheet

At 31 December 2014  
(Expressed in Renminbi)

	<i>Note</i>	<b>At 31 December 2014 RMB'000</b>	At 31 December 2013 RMB'000 (restated)	At 1 January 2013 RMB'000 (restated)
<b>Non-current assets</b>				
Investments in subsidiaries	13	<b>3,984,216</b>	3,161,257	2,360,498
Property and equipment		<b>574</b>	—	—
<b>Total non-current assets</b>		<b>3,984,790</b>	3,161,257	2,360,498
<b>Current assets</b>				
Other receivables	18	<b>590,265</b>	16,548	214,568
Amounts due from subsidiaries		<b>1,221,650</b>	669,209	481,993
Cash and cash equivalents	20	<b>297,588</b>	3,152	—
<b>Total current assets</b>		<b>2,109,503</b>	688,909	696,561
<b>Current liabilities</b>				
Loans and borrowings	21	<b>135,000</b>	1,740,196	1,691,800
Amounts due to subsidiaries		—	65,959	45,250
Other payables		<b>59,905</b>	51,952	—
<b>Total current liabilities</b>		<b>194,905</b>	1,858,107	1,737,050
<b>Net current assets/(liabilities)</b>		<b>1,914,598</b>	(1,169,198)	(1,040,489)
<b>Total assets less current liabilities</b>		<b>5,899,388</b>	1,992,059	1,320,009
<b>Non-current liabilities</b>				
Loans and borrowings	21	<b>1,279,513</b>	—	—
<b>NET ASSETS</b>		<b>4,619,875</b>	1,992,059	1,320,009

The notes on pages 87 to 196 form part of these financial statements.

## Balance sheet (continued)

At 31 December 2014  
(Expressed in Renminbi)

	<i>Note</i>	<b>At 31 December 2014 RMB'000</b>	At 31 December 2013 RMB'000 (restated)	At 1 January 2013 RMB'000 (restated)
<b>CAPITAL AND RESERVES</b>	24			
Share capital		<b>15,760</b>	376	376
Reserves		<b>4,604,115</b>	1,991,683	1,319,633
<b>TOTAL EQUITY</b>		<b>4,619,875</b>	1,992,059	1,320,009

Approved and authorised for issue by the board of directors on 27 March 2015.

**YI Xiaodi**  
*Directors*

**FAN Xiaochong**  
*Directors*

The notes on pages 87 to 196 form part of these financial statements.

# Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	General reserve fund	Property revaluation reserve	Retained profits	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	Note 24(c)	Note 24(d)(i)	Note 24(d)(ii)	Note 24(d)(iv)					
Balance at 1 January 2013	376	—	336,364	9,865	973,404	1,320,009	520,152	1,840,161	
Changes in equity for 2013:									
Profit and total comprehensive income for the year	—	—	—	—	672,050	672,050	(41,208)	630,842	
Acquisition of a subsidiary	—	—	—	—	—	—	311,031	311,031	
Disposal of subsidiaries	—	—	—	—	—	—	(1,112)	(1,112)	
Capital injection from non-controlling interests	—	—	—	—	—	—	49,000	49,000	
Distribution to non-controlling interests	—	—	—	—	—	—	(78,529)	(78,529)	
Transfer to general reserve fund	—	—	70,237	—	(70,237)	—	—	—	
<b>Balances at 31 December 2013 and 1 January 2014</b>	<b>376</b>	<b>—</b>	<b>406,601</b>	<b>9,865</b>	<b>1,575,217</b>	<b>1,992,059</b>	<b>759,334</b>	<b>2,751,393</b>	
Changes in equity for 2014:									
Profit and total comprehensive income for the year	—	—	—	—	766,543	766,543	43,648	810,191	
Acquisition of subsidiaries (Note 29)	—	—	—	—	—	—	93,171	93,171	
Split and repurchase of shares	(69)	—	—	—	—	(69)	—	(69)	
Initial public offering	3,949	1,499,317	—	—	—	1,503,266	—	1,503,266	
Conversion of Loans from Riverside	895	357,181	—	—	—	358,076	—	358,076	
Capitalisation of shares	10,609	(10,609)	—	—	—	—	—	—	
Transfer to general reserve fund	—	—	95,312	—	(95,312)	—	—	—	
<b>Balance at 31 December 2014</b>	<b>15,760</b>	<b>1,845,889</b>	<b>501,913</b>	<b>9,865</b>	<b>2,246,448</b>	<b>4,619,875</b>	<b>896,153</b>	<b>5,516,028</b>	

The notes on pages 87 to 196 form part of these financial statements.

# Consolidated Cash Flow Statement

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

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>Operating activities</b>			
Profit before taxation		<b>1,309,669</b>	1,115,060
Adjustments for:			
– Depreciation	4(c)	<b>47,624</b>	40,181
– Valuation gains on investment properties	12	<b>(387,763)</b>	(243,454)
– Financial expenses	4(a)	<b>137,758</b>	226,717
– Financial income	4(a)	<b>(68,946)</b>	(44,467)
– Loss on disposal of subsidiaries		–	5
– Net loss on disposal of property and equipment	4(c)	<b>415</b>	290
– Net gain on disposal of investment properties	4(c)	<b>(9,184)</b>	–
– Impairment loss on trade and other receivables	4(c)	<b>45,000</b>	–
– Write-down of properties under development and completed properties held for sale	4(c)	<b>109,783</b>	–
– Remeasurement to fair value of pre-existing interest in acquiree	3	<b>(232,255)</b>	–
– Share of profits less losses of associates		<b>(73,797)</b>	(28,075)
		<b>878,304</b>	1,066,257
Increase in properties under development and completed properties held for sale		<b>(2,516,973)</b>	(2,119,432)
Increase in land development for sale		<b>(72,803)</b>	(300,244)
Increase in trade and other receivables		<b>(838,366)</b>	(234,192)
Increase in restricted deposits		<b>(174,893)</b>	(91,086)
Increase in trade and other payables, and contract retention payables		<b>3,740,092</b>	1,308,458
Decrease in sales deposits		<b>(1,212,278)</b>	(730,524)
<b>Cash used in operation</b>		<b>(196,917)</b>	(1,100,763)
Income tax paid		<b>(272,544)</b>	(400,919)
<b>Net cash used in operating activities</b>		<b>(469,461)</b>	(1,501,682)

The notes on pages 87 to 196 form part of these financial statements.

# Consolidated Cash Flow Statement (continued)

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

	Note	2014 RMB'000	2013 RMB'000
<b>Investing activities</b>			
Financial income received		59,332	42,499
Dividend received from associates		1,611	—
Net cash outflow from disposal of subsidiaries		—	(32,898)
Proceeds from disposal of other financial assets		45,417	217,000
Proceeds from disposal of property and equipment		2,645	1,981
Proceeds from disposal of investment properties		28,584	—
Acquisition of subsidiaries, net of cash acquired		(667,873)	(44,604)
Acquisition of property and equipment		(22,029)	(41,135)
Acquisition of investment properties		(29,304)	(171,560)
Acquisition of other financial assets		(45,417)	(217,000)
Acquisition of associates and joint ventures		(117,312)	(19,650)
Repayment of advances to related parties		686,514	1,497,563
Advances to related parties		(332,309)	(517,003)
<b>Net cash (used in)/generated from investing activities</b>		<b>(390,141)</b>	715,193
<b>Financing activities</b>			
Capital injection from non-controlling interests		—	49,000
Proceeds from loans and borrowings		5,875,967	9,793,896
Repayment of loans and borrowings		(6,076,737)	(7,319,817)
Proceeds from initial public offering, net of listing expenses		1,503,197	—
Proceeds from issue of senior notes		1,280,939	—
Interest paid		(1,319,361)	(971,751)
Decrease/(increase) in restricted deposits		1,007,104	(229,886)
Advances from related parties		198,546	545,326
Repayment of advances from related parties		(268,187)	(971,964)
<b>Net cash generated from financing activities</b>		<b>2,201,468</b>	894,804
<b>Net increase in cash and cash equivalent</b>		<b>1,341,866</b>	108,315
<b>Cash and cash equivalents at 1 January</b>	20	<b>1,216,524</b>	1,108,320
<b>Effect of foreign exchange rate changes</b>		<b>(544)</b>	(111)
<b>Cash and cash equivalents at 31 December</b>	20	<b>2,557,846</b>	1,216,524

The notes on pages 87 to 196 form part of these financial statements.



# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations promulgated by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“The Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued a number of new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2015 and not early adopted by the Group for the year ended 31 December 2014 are set out in Note 32.

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

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the Company and the entities carrying out the principal activities of the Group in the People’s Republic of China (the “PRC”).

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

- financial instruments classified as available-for-sale or as trading securities (see Note 1(g));
- derivative financial instruments (see Note 1(h));
- investment property (see Note 1(i));
- convertible loans (see Note 1(p)); and
- loans and borrowings designated at fair value through profit or loss (see Note 1(q)(ii)).

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation of the financial statements (Continued)

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 30.

### (c) Changes in accounting policies

#### (i) **Changes in accounting policies as a result of developments in IFRSs**

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the early adoption of the amendments to IAS 27, *Equity method in separate financial statements* as discussed in Note 1(c)(ii).

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) Early adoption of the amendments to IAS 27, Equity method in separate financial statements

The change in policy arising from the amendments to IAS 27 is the only change which has had a material impact on the current and comparative periods. As a result of this change in policy, the Company has chosen to apply the equity method to account for its investments in subsidiaries in its financial statements, which were previously stated at cost less impairment. Directors consider that this change provides more relevant and meaningful information about the financial performance of subsidiaries in the separate financial statements of the Company.

This change in policy has been applied retrospectively by restating the Company's opening balances at 1 January 2013 and 2014, with consequential adjustments to comparatives for the year ended 31 December 2013. This has resulted in an adjustment to the carrying amount of investments in subsidiaries and loss/profit and total comprehensive income for the year of the Company as follows:

	As previously reported <i>RMB'000</i>	Effect of adoption of amendments to IA27 <i>RMB'000</i>	As restated <i>RMB'000</i>
<b>Movements in components of equity of the Company for the year ended 31 December 2013</b>			
<b>Balance sheet at 31 December 2013:</b>			
Investments in subsidiaries	55,276	3,105,981	3,161,257
<b>Total non-current assets</b>	55,276	3,105,981	3,161,257
<b>Total current assets</b>	688,909	—	688,909
<b>Total current liabilities</b>	1,858,107	—	1,858,107
<b>Total assets less current liabilities</b>	(1,113,922)	3,105,981	1,992,059
Share capital	376	—	376
Reserves	(1,114,298)	3,105,981	1,991,683
<b>Total equity</b>	(1,113,922)	3,105,981	1,992,059
(Loss)/profit and total comprehensive income for the year	(128,709)	800,759	672,050

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) Early adoption of the amendments to IAS 27, Equity method in separate financial statements (Continued)

	As previously reported <i>RMB'000</i>	Effect of adoption of amendments to IA27 <i>RMB'000</i>	As restated <i>RMB'000</i>
<b>Balance sheet at 1 January 2013:</b>			
Investments in subsidiaries	55,276	2,305,222	2,360,498
<b>Total non-current assets</b>	55,276	2,305,222	2,360,498
<b>Total current assets</b>	696,561	—	696,561
<b>Total current liabilities</b>	1,737,050	—	1,737,050
<b>Total assets less current liabilities</b>	(985,213)	2,305,222	1,320,009
Share capital	376	—	376
Reserves	(985,589)	2,305,222	1,319,633
<b>Total equity</b>	(985,213)	2,305,222	1,320,009

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Subsidiaries and non-controlling interests (Continued)

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

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

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

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

In the Company's balance sheet, an investment in a subsidiary is accounted for under equity method, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Associates

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

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

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

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

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in Notes 1(w)(vi) and (v).

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Other investments in debt and equity securities (Continued)

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortized cost less impairment losses (see Note 1(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the balance sheet at cost less impairment losses (see Note 1(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in Notes 1(w)(vi) and (v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognized in profit or loss.

When the investments are derecognized or impaired (see Note 1(l)), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

### (h) Derivative financial instruments

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

### (i) Investment property

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 1(w)(iii).



# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Investment property (Continued)

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

### (j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)).

The cost of self-constructed items of property includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(y)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

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

— Hotel properties	30–40 years
— Supermarkets	20–30 years
— Office premises	20–30 years
— Motor vehicles	5–8 years
— Office equipment	3–5 years

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Operating lease charges

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

### (l) Impairment of assets

#### (i) *Impairment of investments in debt and equity securities and other receivables*

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in associates (see Note 1(e)) and investments in subsidiaries in the Company's balance sheet (see Note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(l)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with Note 1(l)(ii).

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Impairment of assets (Continued)

#### (i) *Impairment of investments in debt and equity securities and other receivables* (Continued)

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
  
- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

- For available-for-sale securities, the cumulative loss that has been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in profit or loss.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Impairment of assets (Continued)

#### (i) **Impairment of investments in debt and equity securities and other receivables** (Continued)

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

#### (ii) **Impairment of other assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property and equipment may be impaired or an impairment loss previously recognized no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually, whether or not there is any indication of impairment.

#### — *Calculation of recoverable amount*

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Impairment of assets (Continued)

#### (ii) Impairment of other assets (Continued)

##### — Recognition of impairment losses

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

##### — Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

#### (iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(I)(i) and (ii)).

Impairment losses recognized in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognized in other comprehensive income and not profit or loss.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalized borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realizable value. Net realizable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realizing the revenue derived from the sale of land development for sale based on prevailing market conditions.

### (n) Properties under development and completed properties held for sale

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

#### – *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized (see Note 1(y)). Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

#### – *Completed property held for sale*

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

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

### (o) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

# Notes to the Financial Statements

## **1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(p) Convertible loans**

Convertible loans which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible loans is measured at fair value and presented as part of derivative financial instruments (see Note 1(h)). Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs that relate to the issue of the convertible loans are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 1(h). The liability component is subsequently carried at amortized cost, unless it is designated at fair value through profit or loss in accordance with Note 1(q)(ii).

If the loan is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the loan is redeemed, any difference between the amount paid and the carrying amounts of both components is recognized in profit or loss.

### **(q) Loans and borrowings**

The Group adopted two measurement methods on loans and borrowings.

- (i) Loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Loans and borrowings (Continued)

- (ii) Loans and borrowings are designated at fair value through profit or loss upon initial recognition when:
- the loans and borrowings are managed, evaluated and reported internally on a fair value basis;
  - the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
  - the loans and borrowings contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; and
  - the separation of the embedded derivatives from the financial instrument is not prohibited.

Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

### (r) Trade and other payables

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

### (s) Cash and cash equivalents

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

### (t) Employee benefits

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

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



# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Employee benefits (Continued)

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

Contributions to defined contributions retirement scheme as required under the relevant PRC laws and regulations are charged to profit or loss when incurred.

#### (ii) **Termination benefits**

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

### (u) Income tax

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

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

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

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Income tax (Continued)

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(i), the amount of deferred tax recognized is measured using the tax rates that would apply on sales of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

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

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

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Income tax (Continued)

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

### (v) Financial guarantees issued, provisions and contingent liabilities

#### (i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with Note 1(v)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Financial guarantees issued, provisions and contingent liabilities (Continued)

#### (ii) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with Note 1(v)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(v)(iii).

#### (iii) *Other provisions and contingent liabilities*

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

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

### (w) Revenue recognition

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

#### (i) *Sale of properties*

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Revenue recognition (Continued)

#### (ii) Revenue from land development for sale

Revenue from land development for sale is recognized upon the transfer of risks and rewards in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

#### (iii) Rental income from operating leases

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

#### (iv) Property management and hotel operation income

Property management and hotel operation income is recognized over the periods in which the services management are rendered. Property management and hotel operation income excludes business tax.

#### (v) Interest income

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

#### (vi) Dividends

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

### (x) Translation of foreign currencies

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

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

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Translation of foreign currencies (Continued)

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

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

### (y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (z) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (z) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

### (aa) Segment reporting

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

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

# Notes to the Financial Statements

## 2 REVENUE

The principal activities of the Group are property and land development, property investment and property management and hotel operation. Revenue represents sale of properties, rental income from investment properties and property management and hotel operation income, net of business tax, analyzed as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sale of properties	6,747,117	5,526,302
Rental income from investment properties	103,409	77,107
Property management and hotel operation income	253,155	165,975
	<b>7,103,681</b>	5,769,384

## 3 OTHER INCOME

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Remeasurement to fair value of pre-existing interest in acquiree (Note (i))	232,255	—
Penalty and compensation income	11,762	20,257
Net gain on disposal of investment properties	9,184	—
Others	1,687	7,510
	<b>254,888</b>	27,767

Note (i): The remeasurement to fair value of the Group's pre-existing interest in the subsidiaries acquired during the year resulted in a gain of RMB232,255,000.



## Notes to the Financial Statements

### 4 PROFIT BEFORE TAXATION

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

#### (a) Financial income and financial expenses

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>Financial income</b>			
Interest income on financial assets			
not at fair value through profit or loss		<b>(59,332)</b>	(39,001)
Dividend income and disposal gains			
on available-for-sale investment		—	(3,498)
Net foreign exchange gain		<b>(9,614)</b>	(1,968)
		<b>(68,946)</b>	(44,467)
<b>Financial expenses</b>			
Interest on loans and borrowings			
wholly repayable within five years		<b>1,292,406</b>	988,460
Interest on other loans and borrowings		<b>22,906</b>	21,426
Total interest expense on loans and borrowings not at fair value through profit or loss		<b>1,315,312</b>	1,009,886
Less: Interest expense capitalized into land development for sale, properties under development and investment properties under construction	(i)	<b>(1,208,600)</b>	(859,175)
		<b>106,712</b>	150,711
Net change in fair value of the loans from Riverside (Note 21(b))	(ii)	<b>30,086</b>	53,721
Net change in fair value of the loans from Hangzhou Industrial and Commerce Trust (Note 21(c))		<b>960</b>	22,285
Bank charges and others		<b>7,018</b>	6,161
		<b>144,776</b>	232,878

# Notes to the Financial Statements

## 4 PROFIT BEFORE TAXATION (Continued)

### (a) Financial income and financial expenses (Continued)

Notes:

- (i) The borrowing costs were capitalized at a rate of 6.15% – 15% per annum (2013: 6.15% – 20.00%).
- (ii) Net change in fair value of the loans for Riverside was comprised of fair value adjustment charged to profit or loss, de-recognition and credited to profit or loss and recognition and charged to profit or loss, disclosed as follows:

	2014 RMB'000	2013 RMB'000
Fair value adjustment charged to profit or loss	30,086	97,986
De-recognition and credited to profit or loss	—	(672,583)
Recognition and charged to profit or loss	—	628,318
	<b>30,086</b>	<b>53,721</b>

### (b) Staff costs

	2014 RMB'000	2013 RMB'000
Contributions to defined contribution retirement plan	30,924	25,752
Salaries, wages and other benefits	393,666	305,499
	<b>424,590</b>	<b>331,251</b>

### (c) Other items

	2014 RMB'000	2013 RMB'000
Depreciation	47,624	40,181
Auditors' remuneration		
— Audit services	6,516	4,072
— Tax services	520	445
Net loss on disposal of property and equipment	415	290
Operating lease charges in respect of properties	26,163	20,538
Rental receivable from investment properties less direct outgoing of RMB nil	(103,409)	(77,107)
Impairment loss of trade and other receivables	45,000	—
Write-down of properties under development and completed properties held for sale	109,783	—

## Notes to the Financial Statements

### 5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Income tax in the consolidated statements of comprehensive income represents:

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Provision for the year			
– PRC Corporate Income Tax		<b>187,908</b>	258,699
– Land Appreciation Tax		<b>177,090</b>	110,468
Deferred tax	15(b)	<b>134,480</b>	115,051
		<b>499,478</b>	484,218

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the “BVI”), the Company and its subsidiaries incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company’s subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

# Notes to the Financial Statements

## 5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Continued)

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before taxation	<b>1,309,669</b>	1,115,060
National tax at profit before taxation, calculated at the tax rate of 25%	<b>327,417</b>	278,765
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	<b>(44,273)</b>	(27,617)
Tax effect of unused tax losses not recognized	<b>54,123</b>	76,362
Effect of differential tax rate on loss	<b>8,686</b>	6,212
Tax effect of share of profits less losses of associates	<b>(18,449)</b>	(7,019)
Tax effect of non-deductible expenses	<b>52,948</b>	47,047
Tax effect of non-taxable income	<b>(58,064)</b>	—
Provision for Land Appreciation Tax	<b>177,090</b>	110,468
Actual tax expense	<b>499,478</b>	484,218

## Notes to the Financial Statements

### 6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>2014</b>				
Chairman:				
Mr. Yi Xiaodi	1,303	730	31	2,064
Executive director:				
Mr. Fan Xiaochong	1,238	724	31	1,993
Non-executive directors:				
Ms. Fan Xiaohua ("Ms. Fan")	580	141	—	721
Mr. Gagnon Joseph Raymond (resigned on 10 September 2014)	—	—	—	—
Independent non-executive directors:				
Mr. Ng Fook Ai, Victor (Note (i))	189	—	—	189
Mr. Chen Jinsong (Note (i))	189	—	—	189
Mr. Gu Yunchang (Note (i))	189	—	—	189
	<b>3,688</b>	<b>1,595</b>	<b>62</b>	<b>5,345</b>

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>2013</b>				
Chairman:				
Mr. Yi Xiaodi	1,467	1,612	41	3,120
Executive director:				
Mr. Fan Xiaochong	1,435	1,567	41	3,043
Non-executive directors:				
Ms. Fan	590	141	—	731
Mr. Gagnon Joseph Raymond	—	—	—	—
	<b>3,492</b>	<b>3,320</b>	<b>82</b>	<b>6,894</b>

Note (i): These independent non-executive directors were appointed on 17 February 2014.

# Notes to the Financial Statements

## 7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	3,736	2,609
Discretionary bonuses	1,648	5,017
Retirement scheme contributions	130	79
	<b>5,514</b>	7,705

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands presented in Hong Kong Dollar ("HKD"):

	2014	2013
HKD2,000,001 to HKD2,500,000	3	—
HKD2,500,001 to HKD3,000,000	—	2
HKD3,500,001 to HKD4,000,000	—	1

## 8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB766,543,000 (2013: RMB672,050,000 (as restated)) which has been dealt with in the financial statements of the Company.

# Notes to the Financial Statements

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB766,543,000 (2013: RMB672,050,000) and the weighted average of 1,879,023,235 ordinary shares (2013: 1,386,715,012 shares) after adjusting for the share split and capitalisation issue in 2014, calculated as follows:

	2014	2013
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	50,000	50,000
Effect of share split	38,950,000	38,950,000
Effect of capitalisation issue	1,347,715,012	1,347,715,012
Effect of initial public offering	401,369,863	—
Conversion of Loans from Riverside	90,938,360	—
Weighted average number of ordinary shares at 31 December	1,879,023,235	1,386,715,012

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding during the years ended 31 December 2014 and 2013.

## 10 SEGMENT REPORTING

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, and property management and hotel operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following four reportable segments:

- (a) the mixed-use business complexes segment that develops and sells business complex products;
- (b) the multi-functional residential communities segment that develops and sells residential properties and develops land;
- (c) investment properties segment that leases offices, commercial premises and hotels; and
- (d) the property management and hotel operation segment that provides property management service and hotel accommodation services.

# Notes to the Financial Statements

## **10 SEGMENT REPORTING** (Continued)

No operating segments have been aggregated to form the above reportable segments.

### **(a) Segment results, assets and liabilities**

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

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

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

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

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, financial income, financial expenses, income tax, depreciation, additions on investment properties and property and equipment, and loans and borrowings.



# Notes to the Financial Statements

## 10 SEGMENT REPORTING (Continued)

### (a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for purposes of resources allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

	Year ended 31 December 2014				
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Total RMB'000
<b>Reportable segment revenue</b>	<b>1,286,500</b>	<b>5,460,617</b>	<b>103,409</b>	<b>284,964</b>	<b>7,135,490</b>
Cost of sales	(979,592)	(4,479,364)	—	(228,652)	(5,687,608)
<b>Reportable segment gross profit</b>	<b>306,908</b>	<b>981,253</b>	<b>103,409</b>	<b>56,312</b>	<b>1,447,882</b>
Valuation gains on investment properties	—	—	387,763	—	387,763
Net operating expenses	(127,722)	(495,385)	(36,121)	(28,395)	(687,623)
Financial income	11,462	6,068	14	148	17,692
Financial expenses	(12,632)	(29,380)	(2,084)	(8,037)	(52,133)
<b>Reportable segment profit before taxation</b>	<b>178,016</b>	<b>462,556</b>	<b>452,981</b>	<b>20,028</b>	<b>1,113,581</b>
Income tax	(110,409)	(208,821)	(116,338)	(64)	(435,632)
<b>Reportable segment profit</b>	<b>67,607</b>	<b>253,735</b>	<b>336,643</b>	<b>19,964</b>	<b>677,949</b>
Depreciation	4,552	8,036	289	34,233	47,110
Additions on investment properties and property and equipment	5,790	10,959	52,559	13,116	82,424

	At 31 December 2014				
	Mixed-use business complexes RMB'000	Multi- functional residential communities RMB'000	Investment properties RMB'000	Property management and hotel operation RMB'000	Total RMB'000
Loans and borrowings	3,480,634	7,768,099	19,799	—	11,268,532
Reportable segment assets	10,198,705	18,450,544	6,063,823	854,093	35,567,165
Reportable segment liabilities	11,021,238	16,116,164	372,632	497,062	28,007,096

# Notes to the Financial Statements

## 10 SEGMENT REPORTING (Continued)

### (a) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2013				
	Mixed-use business complexes <i>RMB'000</i>	Multi- functional residential communities <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Property management and hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Reportable segment revenue</b>	867,325	4,658,977	77,107	210,458	5,813,867
Cost of sales	(566,310)	(3,433,735)	—	(162,793)	(4,162,838)
<b>Reportable segment gross profit</b>	301,015	1,225,242	77,107	47,665	1,651,029
Valuation gains on investment properties	—	—	243,454	—	243,454
Net operating expenses	(72,081)	(405,617)	(32,710)	(64,883)	(575,291)
Financial income	11,100	11,062	8	125	22,295
Financial expenses	(39,309)	(31,767)	(960)	(19,588)	(91,624)
<b>Reportable segment profit/(loss) before taxation</b>	200,725	798,920	286,899	(36,681)	1,249,863
Income tax	(118,109)	(313,866)	(69,171)	(431)	(501,577)
<b>Reportable segment profit/(loss)</b>	82,616	485,054	217,728	(37,112)	748,286
Depreciation	2,013	7,758	387	29,561	39,719
Additions on investment properties and property and equipment	353	10,918	90,706	19,089	121,066

	At 31 December 2013				
	Mixed-use business complexes <i>RMB'000</i>	Multi- functional residential communities <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Property management and hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Loans and borrowings	3,246,718	6,024,038	37,999	—	9,308,755
Reportable segment assets	9,522,503	19,735,889	4,535,930	892,557	34,686,879
Reportable segment liabilities	10,246,021	16,878,657	388,221	552,962	28,065,861

# Notes to the Financial Statements

## 10 SEGMENT REPORTING (Continued)

### (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2014 RMB'000	2013 RMB'000
<b>Revenue</b>		
Reportable segment revenue	7,135,490	5,813,867
Elimination of intra-group revenue	(31,809)	(44,483)
Consolidated revenue	7,103,681	5,769,384
<b>Profit</b>		
Reportable segment profit	677,949	748,286
Elimination of intra-group loss/(profit)	15,828	(29,608)
Unallocated head office and corporate income/(expense)	116,414	(87,836)
Consolidated profit	810,191	630,842
<b>Loans and borrowings</b>		
Reportable segment loans and borrowings	11,268,532	9,308,755
Unallocated head office and corporate loans and borrowings	3,572,486	4,493,282
Consolidated loans and borrowings	14,841,018	13,802,037
<b>Assets</b>		
Reportable segment assets	35,567,165	34,686,879
Elimination of intra-group balances	(8,938,161)	(15,342,383)
Unallocated head office and corporate assets	8,442,141	8,558,250
Consolidated total assets	35,071,145	27,902,746
<b>Liabilities</b>		
Reportable segment liabilities	28,007,096	28,065,861
Elimination of intra-group balances	(8,845,972)	(15,239,988)
Unallocated head office and corporate liabilities	10,393,993	12,325,480
Consolidated total liabilities	29,555,117	25,151,353

### (c) Geographical information

All of the Group's operations are located in the PRC, therefore no geographical segment reporting is presented.

# Notes to the Financial Statements

## 11 PROPERTY AND EQUIPMENT – THE GROUP

	Construction in progress RMB'000	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
<b>Cost:</b>							
At 1 January 2013	—	378,066	—	95,345	34,454	50,539	558,404
Transfer from properties under development and completed properties held for sale	10,016	—	—	—	—	—	10,016
Acquisition of a subsidiary	—	240,651	—	53,578	1,497	4,169	299,895
Additions	4,568	17,790	—	2,925	2,640	5,652	33,575
Transfer from construction in progress	(14,584)	—	—	14,584	—	—	—
Disposals	—	—	—	(1,948)	(814)	(2,678)	(5,440)
At 31 December 2013	—	636,507	—	164,484	37,777	57,682	896,450
At 1 January 2014	—	<b>636,507</b>	—	<b>164,484</b>	<b>37,777</b>	<b>57,682</b>	<b>896,450</b>
Transfer from properties under development and completed properties held for sale	—	—	<b>145,700</b>	—	—	—	<b>145,700</b>
Transfer from investment properties (Note 12)	—	<b>68,130</b>	—	—	—	—	<b>68,130</b>
Acquisition of subsidiaries (Note 29)	—	—	—	—	<b>888</b>	<b>1,229</b>	<b>2,117</b>
Additions	—	<b>12,718</b>	—	<b>3,713</b>	<b>8,542</b>	<b>13,359</b>	<b>38,332</b>
Disposals	—	—	—	<b>(1,291)</b>	<b>(4,351)</b>	<b>(1,682)</b>	<b>(7,324)</b>
At 31 December 2014	—	<b>717,355</b>	<b>145,700</b>	<b>166,906</b>	<b>42,856</b>	<b>70,588</b>	<b>1,143,405</b>
<b>Accumulated depreciation:</b>							
At 1 January 2013	—	18,424	—	27,166	19,329	31,174	96,093
Charge for the year	—	21,815	—	5,490	4,937	7,939	40,181
Written back on disposals	—	—	—	(265)	(599)	(2,305)	(3,169)
At 31 December 2013	—	40,239	—	32,391	23,667	36,808	133,105
At 1 January 2014	—	<b>40,239</b>	—	<b>32,391</b>	<b>23,667</b>	<b>36,808</b>	<b>133,105</b>
Charge for the year	—	<b>26,782</b>	—	<b>6,282</b>	<b>6,238</b>	<b>8,322</b>	<b>47,624</b>
Written back on disposals	—	—	—	<b>(125)</b>	<b>(2,867)</b>	<b>(1,272)</b>	<b>(4,264)</b>
At 31 December 2014	—	<b>67,021</b>	—	<b>38,548</b>	<b>27,038</b>	<b>43,858</b>	<b>176,465</b>
<b>Net book value:</b>							
At 31 December 2013	—	596,268	—	132,093	14,110	20,874	763,345
At 31 December 2014	—	<b>650,334</b>	<b>145,700</b>	<b>128,358</b>	<b>15,818</b>	<b>26,730</b>	<b>966,940</b>

## Notes to the Financial Statements

### **11 PROPERTY AND EQUIPMENT – THE GROUP** (Continued)

**(a) The analysis of net book value of properties**

The net book values of hotel properties, supermarkets and office premise in aggregate of RMB924,392,000 as at 31 December 2014 (2013: RMB728,361,000), were under medium-term leases in the PRC.

**(b)** Certain portion of the Group's hotel properties were pledged against the loans and borrowings, details are set out on Note 21(h).

**(c)** As at 31 December 2014, the Group had not obtained ownership certificates for certain hotel properties, supermarkets and office premises with aggregate carrying value of RMB171,981,000 (2013: RMB82,334,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

# Notes to the Financial Statements

## 12 INVESTMENT PROPERTIES – THE GROUP

	Properties Under Construction <i>RMB'000</i>	Completed Properties <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013	310,816	3,157,952	3,468,768
Additions	47,131	42,262	89,393
Transfer from properties under development and completed properties held for sale	16,206	43,431	59,637
Acquisition of a subsidiary	—	531,320	531,320
Transfer to completed properties	(318,622)	318,622	—
Valuation gains on investment properties for the year	68,869	174,585	243,454
At 31 December 2013	124,400	4,268,172	4,392,572
At 1 January 2014	<b>124,400</b>	<b>4,268,172</b>	<b>4,392,572</b>
Additions	<b>50,992</b>	—	<b>50,992</b>
Transfer from properties under development and completed properties held for sale	<b>250,760</b>	<b>171,681</b>	<b>422,441</b>
Acquisition of subsidiaries (Note 29)	<b>779,951</b>	—	<b>779,951</b>
Transfer to completed properties	<b>(432,549)</b>	<b>432,549</b>	—
Valuation gains on investment properties for the year	<b>120,152</b>	<b>267,611</b>	<b>387,763</b>
Disposal	—	<b>(19,400)</b>	<b>(19,400)</b>
Transfer to property and equipment (Note 11)	—	<b>(68,130)</b>	<b>(68,130)</b>
At 31 December 2014	<b>893,706</b>	<b>5,052,483</b>	<b>5,946,189</b>

# Notes to the Financial Statements

## 12 INVESTMENT PROPERTIES – THE GROUP (Continued)

### (a) Fair value measurement of properties

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at each balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at	Fair value measurements as at		
	31 December	31 December 2014 categorised into		
	2014	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurement</b>				
Investment properties:				
— Commercial-Mainland China	5,946,189	—	—	5,946,189

	Fair value at	Fair value measurements as at		
	31 December	31 December 2013 categorised into		
	2013	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurement</b>				
Investment properties:				
— Commercial-Mainland China	4,392,572	—	—	4,392,572

# Notes to the Financial Statements

## 12 INVESTMENT PROPERTIES – THE GROUP (Continued)

### (a) Fair value measurement of properties (Continued)

#### (i) Fair value hierarchy (Continued)

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's completed investment properties and investment properties under construction were revalued as at 31 December 2014. The valuations were carried out by Crowe Horwath (HK) Consulting & Valuation Limited ("Crowe Horwath"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of properties being valued. The Group's finance manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

#### (ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Completed investment properties	Direct comparison approach, and	Market unit sale price (RMB/sq.m.)	5,380–67,000 (2013: 6,340–63,830)	24,981 (2013: 26,569)
		Income capitalization approach	Capitalisation rate	3.5%–7% (2013: 2.33%–14.18%)
		Market monthly rent rate (RMB/sq.m.)	12–204 (2013:15–430)	120 (2013:126)
Investment properties under construction	Direct comparison approach	Market unit sale price (RMB/sq.m.)	12,025–52,260 (2013: 9,000–18,000)	19,418 (2013: 16,268)



# Notes to the Financial Statements

## 12 INVESTMENT PROPERTIES – THE GROUP (Continued)

### (a) Fair value measurement of properties (Continued)

#### (ii) Information about Level 3 fair value measurements (Continued)

The fair values of completed investment properties is determined using an open market value basis with reference to comparable sales transactions as identified in the relevant markets, and where, appropriate, taking into account the fair market valuations using the income capitalization approach. The fair value measurement is positively correlated to the market monthly rent rate, market unit sale price, and negatively correlated to the capitalization rate.

The investment properties under construction have been valued on the basis that the properties will be constructed and completed in accordance with the relevant development plans. The valuation were performed by Crowe Horwath by using the direct comparison approach which is commonly used in valuating development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deductions on construction costs, professional fees and interest payments to be incurred as at the valuation date as well as developer’s profits. The fair value measurement is positively correlated to the market unit sale price.

The gain/(loss) on disposal of investment properties and changes in fair value of investment properties are presented in “other income” and “valuation gains on investment properties” in the consolidated statements of comprehensive income, respectively.

- (b) The investment properties were under medium-term leases in the PRC.
- (c) Certain investment properties of the Group were pledged against the loans and borrowings, details are set out in Note 21(h).
- (d) As at 31 December 2014, the Group had not obtained ownership certificates for certain completed investment properties with aggregate carrying value of RMB616,683,000 (2013: RMB370,844,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.
- (e) Completed investment properties with carrying value of RMB42,419,000 of the Group, as at 31 December 2014 (2013: RMB81,130,000), were pledged with bank to secure banking facilities of a related party, details are set out in Note 28(d).

Completed investment properties with carrying value of RMB63,611,000 of the Group, as at 31 December 2014 and 2013, were pledged with banks to secure banking facilities of a third party of the Group. The pledge period ranged 3 years.

- (f) As at 31 December 2014, certain investment properties with carrying value of RMB678,200,000 of the Group are not permitted for sale until the end of May 2021.

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2014 RMB'000	2013 RMB'000 (restated)	2012 RMB'000 (restated)
Share of net assets	<b>3,984,216</b>	3,161,257	2,360,498

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies and the Company has the power to govern, particulars of which are set out below:

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
1 Sunmode Limited ("Sunmode") 新進有限公司	the BVI 18 January 2007	USD50,000	100%	—	Investment holding
2 Guangxi Vantone Real Estate Co., Ltd. ("Guangxi Vantone") 廣西萬通房地產有限公司**	Guangxi Zhuang, Autonomous Region, the PRC 2 March 1994	RMB192,525,900	—	100%	Property development
3 Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100 Group") 陽光壹佰置業集團有限公司*	Beijing, the PRC 19 April 2001	RMB300,000,000/ RMB300,000,000	—	100%	Investment holding
4 Beijing Century Chengjing Investment Co., Ltd. ("Beijing Century") 北京世紀程景投資有限公司*	Beijing, the PRC 19 February 2008	RMB10,000,000	—	100%	Investment holding
5 Beijing Sunshine 100 Assets Operation Co., Ltd. ("Beijing Asset Operation") 北京陽光壹佰資產經營有限公司*	Beijing, the PRC 25 July 2008	RMB10,000,000	—	100%	Investment holding

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
6 Beijing Sunshine 100 Property Services Co., Ltd. ("Beijing Sunshine 100 Property Services") 北京陽光壹佰物業服務有限公司*	Beijing, the PRC 24 June 2003	RMB3,000,000	—	100%	Property management
7 Beijing Sunshine Star International Management Consulting Co., Ltd. ("Beijing Sunshine Star") 北京陽光之星國際管理諮詢有限公司*	Beijing, the PRC 12 December 2005	RMB1,000,000	—	100%	Investment holding
8 Beijing Yibang Real Estate Development Co., Ltd. ("Beijing Yibang") 北京益邦房地產開發有限公司*	Beijing, the PRC 23 January 2002	RMB50,000,000	—	100%	Dormant
9 Chongqing Sunshine 100 Property Services Co., Ltd. ("Chongqing Sunshine 100 Property Services") 重慶陽光壹佰物業服務有限公司*	Chongqing, the PRC 25 March 2004	RMB6,000,000	—	100%	Property management
10 Chongqing Yuneng 100 Real Estate Development Co., Ltd. ("Chongqing Yuneng 100") 重慶渝能壹佰房地產開發有限公司*	Chongqing, the PRC 28 January 2000	RMB100,000,000	—	100%	Property development Notes (ii), (v), (x)
11 Luen Thai (Qing Yuan) Real Estate Co., Ltd. ("Luen Thai (Qing Yuan)") 聯泰(清遠)房地產有限公司*	Guangdong Province, the PRC 15 January 2004	HKD53,500,000	—	55%	Property development
12 Gold Leader (Qing Yuan) Properties Limited ("Gold Leader (Qing Yuan)") 金倫(清遠)置業有限公司*	Guangdong Province, the PRC 23 September 2008	HKD32,896,742/ HKD168,000,000	—	55%	Property development

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
13 Qing Yuan Delun Properties Limited (“Qing Yuan Delun”) 清遠德倫置業有限公司*	Guangdong Province, the PRC 23 September 2008	HKD39,355,556/ HKD160,000,000	—	55%	Property development
14 Qing Yuan Liantou Properties Limited (“Qing Yuan Liantou Properties”) 清遠聯投置業有限公司*	Guangdong Province, the PRC 23 September 2008	HKD136,000,000	—	55%	Property development
15 Qingyuan Weitai Properties Ltd. (“Qingyuan Weitai”) 清遠威泰置業有限公司*	Guangdong Province, the PRC 23 September 2008	HKD30,720,145/ HKD128,000,000	—	55%	Property development
16 Rich Hope (QY) Properties Ltd. (“Rich Hope (QY)”) 威康 (清遠) 置業有限公司*	Guangdong Province, the PRC 23 September 2008	HKD41,746,692/ HKD227,000,000	—	55%	Property development
17 Guangxi Sunshine 100 Asset Management Co., Ltd. (“Guangxi Sunshine 100”) 廣西陽光壹佰資產管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC 25 January 2011	RMB2,000,000	—	100%	Investment holding
18 Guilin Pingle Sunshine 100 Real Estate Investment Co., Ltd. (“Guilin Pingle Sunshine 100”) 桂林平樂陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC 5 May 2010	RMB10,000,000/ RMB50,000,000	—	75%	Property and land development
19 Guilin Pingle Sunshine 100 Nonglinye Co., Ltd. (“Guilin Nonglinye”) 桂林平樂陽光壹佰農林業有限公司*	Guangxi Zhuang Autonomous Region, the PRC 18 July 2011	RMB4,500,000	—	100%	Landscaping service

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
20 Guangxi Lijin Hotel Management Co., Ltd. (“Guangxi Lijin”) 廣西儷錦酒店投資管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC 1 December 2011	RMB50,000,000	—	75%	Hotel management
21 Liuzhou Hedingshun Commercial Investment Co., Ltd. (“Liuzhou Hedingshun”) 柳州和鼎順商業投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC 10 December 2012	RMB5,000,000	—	75%	Property investment
22 Liuzhou Lisheng Hotel Management Co., Ltd. (“Liuzhou Lisheng”) 柳州麗笙酒店有限公司*	Guangxi Zhuang Autonomous Region, the PRC 19 August 2011	RMB2,000,000	—	75%	Hotel management
23 Liuzhou Sunshine 100 Real Estate Co., Ltd. (“Liuzhou Sunshine 100”) 柳州陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC 7 July 2006	RMB50,000,000	—	75%	Property development
24 Liuzhou Yuandingchang Commercial Investment Co., Ltd. (“Liuzhou Yuandingchang”) 柳州元鼎昌商業投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC 10 December 2012	RMB1,500,000/ RMB5,000,000	—	75%	Property investment
25 Nanning Sunshine 100 Real Estate Co., Ltd. (“Nanning Sunshine 100”) 南寧陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC 23 March 2006	RMB50,000,000	—	51%	Investment holding
26 Nanning Zhuangye Real Estate Development Co., Ltd. (“Nanning Zhuangye”) 南寧壯業房地產開發有限責任公司*	Guangxi Zhuang Autonomous Region, the PRC 11 May 2006	RMB20,000,000	—	26%	Property development Notes (iii), (xiv)

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
27 Hubei Sunshine 100 Real Estate Development Co., Ltd. ("Hubei Sunshine 100") 湖北陽光一百房地產開發有限公司*	Hubei Province, the PRC 12 April 2009	RMB351,500,000	—	100%	Property development Notes (iv), (x)
28 Wuhan Sunshine 100 Real Estate Co., Ltd. ("Wuhan Sunshine 100") 武漢陽光壹佰置業有限公司*	Hubei Province, the PRC 31 January 2005	RMB50,000,000	—	100%	Property development Note (ii)
29 Hunan Hui Jin Decoration and Resign Co., Ltd. ("Hunan Hui Jin") 湖南滙金裝飾設計工程有限公司*	Hunan Province, the PRC 2 May 2012	RMB3,000,000	—	100%	Decoration and design project
30 Hunan Sunshine 100 Property Services Co., Ltd. ("Hunan Sunshine 100 Property Services") 湖南陽光壹佰物業服務有限責任公司*	Hunan Province, the PRC 31 May 2004	RMB5,000,000	—	100%	Property management
31 Sunshine 100 Real Estate (Hunan) Development Co., Ltd. ("Hunan Sunshine 100") 陽光壹佰(湖南)置業發展有限責任公司*	Hunan Province, the PRC 23 April 2003	RMB105,880,000	—	100%	Property development Note (ix), (x)
32 Wuxi Liaohongtian Construction and Decoration Co., Ltd ("Wuxi Liaohongtian") 無錫遼紅天建築裝飾工程有限公司*	Jiangsu Province the PRC 20 July 2010	RMB10,000,000	—	100%	Construction and decoration project
33 Wuxi Suyuan Real Estate Co., Ltd. ("Wuxi Suyuan") 無錫蘇源置業有限公司*	Jiangsu Province, the PRC 28 February 2003	RMB100,000,000/ RMB300,000,000	—	100%	Property development Note (x)

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
34 Wuxi Wanyi Nonglin Co., Ltd. ("Wuxi Nonglin") 無錫萬怡農林有限公司*	Jiangsu Province, the PRC 31 July 2009	RMB3,000,000	—	100%	Landscaping service
35 Liaoning Yingda Weihua Real Estate Development Co., Ltd. ("Yingda Weihua") 遼寧鷹達衛華房地產開發有限公司*	Liaoning Province, the PRC 15 September 2006	RMB150,000,000	—	51%	Property development Note (x)
36 Shenyang Sunshine 100 Assets Operation Co., Ltd. ("Shenyang Assets Operation") 瀋陽陽光壹佰資產經營有限公司*	Liaoning Province, the PRC 5 March 2012	RMB1,000,000	—	100%	Property management
37 Sunshine 100 Real Estate (Liaoning) Co., Ltd. ("Liaoning Sunshine 100") 陽光一百置業(遼寧)有限公司*	Liaoning Province, the PRC 25 June 2004	USD49,000,000/ USD169,000,000	—	100%	Property development Note (x)
38 Dongying Shengxing Real Estate Co., Ltd. ("Dongying Shengxing") 東營勝興置業有限公司*	Shandong Province, the PRC 1 July 2005	RMB80,000,000	—	100%	Property development
39 Dongying Wanyi Commerce and Trade Co., Ltd. ("Dongying Wanyi") 東營萬怡商貿有限責任公司*	Shandong Province, the PRC 24 March 2009	RMB20,000,000	—	100%	Retail
40 Weifang Sunshine 100 Real Estate Co., Ltd. ("Weifang Sunshine 100") 濰坊陽光壹佰置業有限公司*	Shandong Province, The PRC 23 April 2010	RMB200,000,000	—	100%	Property and land development Notes (vii), (x)

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
41 Yantai Yindu Real Estate Co., Ltd. (“Yantai Yindu”) 煙臺銀都置業有限公司*	Shandong Province, the PRC 26 May 2004	RMB15,000,000	—	100%	Property development
42 Yantai Sunshine 100 Commercial Development Co., Ltd. (“Yantai Commercial Development”) 煙臺陽光壹佰商業發展有限公司*	Shandong Province, the PRC 31 December 2008	RMB5,000,000	—	100%	Property investment
43 Yantai Sunshine 100 Property Management Services Co., Ltd. (“Yantai Sunshine 100 Property Management Services”) 煙臺陽光壹佰物業管理服務有限公司*	Shandong Province, the PRC 30 October 2007	RMB5,000,000	—	100%	Property management
44 Yantai Sunshine 100 Real Estate Development Co., Ltd. (“Yantai Sunshine 100”) 煙臺陽光壹佰房地產開發有限公司*	Shandong Province, the PRC 13 June 2005	RMB50,000,000	—	100%	Property development Notes (vi), (x)
45 Yantai Sunshine Star Shopping Center Management Co., Ltd. (“Yantai Sunshine Star Shopping”) 煙臺陽光之星購物中心管理有限公司*	Shandong Province, the PRC 23 July 2008	RMB10,000,000	—	100%	Dormant
46 Chengdu Xin Sheng Yuan Real Estate Development Co., Ltd. (“Chengdu Xin Sheng Yuan”) 成都鑫勝源房地產開發有限公司*	Sichuan Province, the PRC 20 April 2007	RMB20,000,000	—	100%	Property development



# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
47 Sunshine 100 Real Estate (Chengdu) Co., Ltd. ("Chengdu Sunshine 100") 陽光壹佰置業(成都)有限公司*	Sichuan Province, the PRC 13 July 2005	RMB200,000,000	—	100%	Property and land development Notes (viii), (x)
48 Tianjin Lande 100 Real Estate Investment Co., Ltd. ("Tianjin Lande") 天津蘭德壹佰房地產投資有限公司*	Tianjin, the PRC 19 March 2008	RMB20,000,000/ RMB100,000,000	—	51%	Investment holding
49 Tianjin Mart Time Commercial Investment Management Co., Ltd. ("Tianjin Mart Time") 天津瑪特時光商業投資管理有限公司*	Tianjin, the PRC 18 May 2012	RMB10,000,000	—	86%	Property investment
50 Tianjin Meidinghui Commercial Investment Management Co., Ltd. ("Tianjin Meidinghui") 天津美鼎惠商業投資管理有限公司*	Tianjin, the PRC 18 May 2012	RMB12,000,000	—	86%	Property investment
51 Tianjin Sentai 100 Real Estate Investment Co., Ltd. ("Tianjin Sentai 100") 天津森泰壹佰置業投資有限公司*	Tianjin, the PRC 10 May 2010	RMB70,000,000/ RMB100,000,000	—	52%	Property development
52 Tianjin Sunshine 100 Property Services Co., Ltd. ("Tianjin Sunshine 100 Property Services") 天津陽光壹佰物業服務有限公司*	Tianjin, the PRC 19 June 2003	RMB6,000,000	—	100%	Property management

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
53 Tianjin Sunshine 100 Real Estate Development Co., Ltd. ("Tianjin Sunshine 100") 天津陽光壹佰房地產開發有限公司*	Tianjin, the PRC 14 June 2002	RMB78,000,000	—	86%	Property development
54 Tianjin Wanyi Real Estate Asset Operation Co., Ltd. ("Tianjin Real Estate Operation") 天津萬怡房地產經營有限公司*	Tianjin, the PRC 8 July 2004	RMB500,000	—	100%	Agency service for property sales
55 Hangzhou Hengxin 100 Industrial Co., Ltd. ("Hangzhou Hengxin 100") 杭州恒信壹佰實業有限公司*	Zhejiang Province, the PRC 7 November 2007	RMB170,000,000/ RMB420,000,000	—	100%	Investment holding
56 Chang Jia International Limited ("Chang Jia") 長佳國際有限公司	the BVI 5 May 2011	USD1	—	55%	Investment holding Note (xiv)
57 Eminent Star Group Limited ("Eminent Star") 卓星集團有限公司	the BVI 11 April 2011	USD1	—	55%	Investment holding
58 Lofty Talent Limited ("Lofty Talent") 崑駿有限公司	the BVI 18 April 2011	USD1	—	55%	Investment holding
59 Keyasia Investment Limited ("Keyasia") 基亞投資有限公司	the BVI 8 July 2008	USD100	—	100%	Investment holding

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
60 East Talent Properties Limited ("East Talent") 東泰置業有限公司	Hong Kong, Special Administrative Region ("SAR") 14 December 2007	10,000 shares	—	55%	Investment holding
61 Gold Leader Properties Limited ("Gold Leader") 金倫置業有限公司	Hong Kong, SAR 14 December 2007	10,000 shares	—	55%	Investment holding
62 Rich Hope Properties Limited ("Rich Hope") 威康置業有限公司	Hong Kong, SAR 14 December 2007	10,000 shares	—	55%	Investment holding
63 Top Leader Properties Limited ("Top Leader") 德龍置業有限公司	Hong Kong, SAR 14 December 2007	10,000 shares	—	55%	Investment holding
64 Victory Land Properties Limited ("Victory Land") 凱龍置業有限公司	Hong Kong, SAR 1 November 2007	10,000 shares	—	55%	Investment holding
65 Victory Link Properties Limited ("Victory Link") 偉隆置業有限公司	Hong Kong, SAR 14 December 2007	10,000 shares	—	55%	Investment holding
66 Jinan sunshine 100 Real Estate Development Co., Ltd. ("Jinan Sunshine 100") 濟南陽光壹佰房地產開發有限公司*	Shandong Province The PRC 20 September 2011	RMB20,000,000	—	49%	Property development Note (xiv)
67 Chengdu Shent Teng Xiang Construction and Decoration Co., Ltd. 成都盛騰翔建築裝飾有限公司*	Sichuan Province The PRC 26 July 2013	RMB2,000,000	—	100%	Decoration and design project

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
68 Jinan Wanyi Properties Management Co., Ltd. 濟南萬怡物業服務有限公司*	Shandong Province The PRC 14 November 2002	RMB6,000,000	—	100%	Properties management
69 Guilin Pingle Sunshine100 Travel Co., Ltd. 桂林平樂陽光壹佰旅遊有限公司*	Guangxi Zhuang Autonomous Region, the PRC 18 July 2013	RMB30,000,000	—	100%	Tourism
70 Liuzhou Sunshine Xinqiannian Real Estate Development Co., Ltd. ("Liuzhou Xinqiannian") 柳州陽光新千年房地產開發有限公司*	Guangxi Zhuang Autonomous Region, the PRC 16 March 2011	RMB50,000,000	—	100%	Property development Note (x), (xi)
71 Dongguan City Qingyuan Incubator Co., Ltd. ("Dongguan Incubator") 東莞市清園孵化器有限公司*	Guangdong Province The PRC 13 January 2011	RMB100,000,000	—	90.1%	Property development Note (xi)
72 Guangxi Jingqi Investment Co., Ltd. ("Guangxi Jingqi") 廣西景祺投資有限公司*	Guangxi Zhuang Autonomous Region, the PRC 22 December 2010	RMB100,000,000	—	100%	Investment holding Note (x), (xi)
73 Guilin Sunshine 100 Real Estate Co., Ltd. ("Guilin Sunshine 100") 桂林陽光壹佰置業有限公司*	Guangxi Zhuang Autonomous Region, the PRC 11 April 2007	RMB30,000,000	—	100%	Property development Note (xii)
74 Wuxi Jintao Real Estate Development Co., Ltd. ("Wuxi Jintao") 無錫金濤置業發展有限公司*	Jiangsu Province The PRC 1 December 2010	RMB150,000,000	—	52%	Property development Note (xiii)

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Name of company (Note (i))	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
75 Linzhou Liyi Hotel Management Co., Ltd. ("Liu Zhou Liyi") 柳州麗怡酒店管理有限公司*	Guangxi Zhuang Autonomous Region, the PRC 16 November 2009	RMB1,000,000	—	75%	Hotel management
76 Yantai Sunshine Shengtong Investment Co., Ltd. 煙臺陽光盛通投資有限公司*	Shandong Province The PRC 9 September 2014	—/ RMB20,000,000	—	100%	Investment holding
77 Riverside Investment Ltd. ("Riverside")	Mauritius 20 September 2005	USD107,175,935	—	100%	Investment holding

\* The Company is registered as a limited liability company in the PRC.

\*\* The Company is registered as a sino-foreign equity joint venture enterprise in the PRC.

Notes:

- (i) Except for the subsidiaries incorporated in the BVI and Hong Kong, the English translation of the names is for reference only and the official names of these entities are in Chinese.
- (ii) The Group entered into share transfer agreements with part or all of the third party equity shareholders of those entities to acquire part or all of equity interests held by those equity shareholders. The considerations were fixed when entering into share transfer agreements. In accordance with the share transfer agreements, those equity shareholders no longer own the right to share the profit or loss of those entities from the effective dates of the share transfer agreements despite legal procedures for transfer were yet to be completed. From the effective dates of the share transfer agreements, the equity interests acquired from those equity shareholders have been treated as the Group's equity interests.
- (iii) Nanning Zhuangye was 51% owned by Nanning Sunshine 100, which was 51% owned by the Group. Accordingly, the Group controlled Nanning Zhuangye through controlling Nanning Sunshine 100 although the Group only owned 26% equity interest in Nanning Zhuangye indirectly.

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Notes: (Continued)

- (iv) In April 2011, Sunshine 100 Group, Chengdu Sunshine 100 and Hubei Sunshine 100 entered into a cooperation development agreement, an equity transfer agreement, a capital injection agreement and an equity repurchase agreement with Sichuan Trust Co., Ltd. (“Sichuan Trust”) (collectively referred to as the “Sichuan Trust Agreements on Hubei Project”). Based on the Sichuan Trust Agreements on Hubei Project, Sichuan Trust acquired 18% equity interest of Hubei Sunshine 100 from Chengdu Sunshine 100 at a consideration of RMB40,000,000, and subsequently injected paid-in capital and capital reserve of RMB132,000,000 and RMB112,600,000, respectively in April 2011. After the capital injection, Sunshine 100 Group and Sichuan Trust held 51% and 49% equity interest in Hubei Sunshine 100, respectively. Pursuant to the Sichuan Trust Agreements on Hubei Project, Sunshine 100 Group will repurchase the 49% equity interest in Hubei Sunshine 100 from Sichuan Trust at a consideration of RMB369,620,000 in 2013. In October 2012, Sunshine 100 Group and Hubei Sunshine 100 entered into a cooperation agreement with Tianjin Nongken Hongyilian Investment Co., Ltd. (“Tianjin Nongken Hongyilian”), based on which Tianjin Nongken Hongyilian granted loans of RMB500 million bearing interest at 12% per annum and acquired 8.85% equity interest of Hubei Sunshine 100 from Sunshine 100 Group by way of an additional capital injection of RMB100 million. Sunshine 100 Group will repurchase the 8.85% equity interest in Hubei Sunshine 100 from Tianjin Nongken Hongyilian at RMB100 million upon the loan from Tianjin Nongken Hongyilian is repaid in 2018. In June 2013, Sunshine 100 Group repurchased 49% equity interest in Hubei Sunshine 100 from Sichuan Trust. As at 31 December 2014, Sunshine 100 Group and Tianjin Nongken Hongyilian held 91.15% and 8.85% equity interest of Hubei Sunshine 100, respectively. Tianjin Nongken Hongyilian only owned the right to obtain interest income based on a fixed rate generated from the financing provided to the Group. Accordingly, the cash consideration and capital injected were in substance a secured financing arrangement and have been recognized as financial liability in the consolidated financial statements as loan granted to the Group rather than equity interest in Hubei Sunshine 100. The Group maintained control over Hubei Sunshine 100 and treated it as a wholly-owned subsidiary of the Group during the year.
- (v) In November 2012, Sunshine 100 Group, Liaoning Sunshine 100 and Chongqing Yuneng 100 entered into a cooperation agreement, an equity transfer agreement and a finance consulting agreement with Zhongrong International Trust Co., Ltd. (“Zhongrong International Trust”) (collectively referred to as the “Chongqing Trust Agreements”). Based on the Chongqing Trust Agreements, in February 2013, Zhongrong International Trust established a trust to provide financing of RMB400,000,000 to the Group (the “Zhongrong International Trust”) in form of acquisition of the 72% shareholding in Chongqing Yuneng 100 from Sunshine 100 Group at a consideration of RMB400,000,000. Pursuant to the Chongqing Trust Agreements, Sunshine 100 Group would repurchase the 72% shareholding in Chongqing Yuneng 100 from Zhongrong International Trust on 31 January 2015, the maturity date of Zhongrong International Trust. Zhongrong International Trust agreed to vote together with Sunshine 100 Group at Chongqing Yuneng 100’s shareholders’ meeting and the board of directors meeting, allowing Sunshine 100 Group the power to direct the relevant activities of Chongqing Yuneng 100. Based on the facts and circumstances, the whole arrangement is in substance a secured financing from Zhongrong International Trust and the 72% shareholding in Chongqing Yuneng 100 is in substance a security for such financing. Accordingly, the cash consideration of RMB400,000,000 have been recognized as financial liability in the consolidated financial statements as loan granted to the Group rather than equity interest in Chongqing Yuneng 100. The Group maintained control over Chongqing Yuneng 100 and treated it as a wholly-owned subsidiary of the Group.

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Notes: (Continued)

- (vi) In March 2013, Sunshine 100 Group, Beijing Sunshine Star and Yantai Sunshine 100 entered into an investment cooperation agreement, an equity transfer agreement and an equity repurchase agreement with Hangzhou Industrial and Commerce Trust Co., Ltd. (“Hangzhou Industrial and Commerce Trust”) (hereinafter collectively referred to as the “Cooperation Agreement I”). In accordance with the Cooperation Agreement I, Hangzhou Industrial and Commerce Trust established a trust (the “Trust I”) to raise financing of RMB400,000,000 for the Group (the “Yantai loans from Hangzhou Industrial and Commerce Trust”), details of which were disclosed in Note 21(c).

Based on the facts and circumstances of the Cooperation Agreement I, the whole arrangement is in substance a secured financing from Hangzhou Industrial and Commerce Trust and the 30% shareholding in Yantai Sunshine 100 is in substance a security for such financing. The Group maintained control over Yantai Sunshine 100 and treated it as a wholly-owned subsidiary of the Group.

- (vii) In March 2013, Sunshine 100 Group, Dongying Shengxing and Weifang Sunshine 100 entered into an investment cooperation agreement, an equity transfer agreement and an equity repurchase agreement with Hangzhou Industrial and Commerce Trust (hereinafter collectively referred to as the “Cooperation Agreement II”). In accordance with the Hangzhou Industrial and Commerce Trust Cooperation Agreement II, Hangzhou Industrial and Commerce Trust established a trust (the “Trust II”) to raise financing of RMB300,000,000 for the Group. The total financing of RMB300,000,000 was comprised of a loan of RMB240,000,000 provided to the Group with a fixed interest rate and a cash consideration of RMB60,000,000 on transfer of the 30% shareholding in Weifang Sunshine 100 from the Group to Hangzhou Industrial and Commerce Trust.

Sunshine 100 Group has right to purchase back the 30% shareholding in Weifang Sunshine 100 at a fixed annual rate of return and if Sunshine 100 Group didn't exercise the right, Hangzhou Industrial and Commerce Trust would put back the 30% shareholding in Weifang Sunshine 100 to the Group. In June 2013, Sunshine 100 Group exercised the right and the consideration had not been settled as at 31 December 2014.

Based on the facts and circumstances of the Cooperation Agreement II, the whole arrangement is in substance a secured financing from Hangzhou Industrial and Commerce Trust and the 30% shareholding in Weifang Sunshine 100 is in substance a security for such financing. The Group maintained control over Weifang Sunshine 100 and treated it as a wholly-owned subsidiary of the Group.

- (viii) In September 2013, Sunshine 100 Group, Beijing Century and Chengdu Sunshine 100 entered into a cooperation agreement, an equity transfer agreement and an equity repurchase agreement with China Foreign Economy and Trade Trust Co., Ltd. (“FOTIC”) (collectively referred to as the “FOTIC Agreements”). In accordance with FOTIC Agreements, in October 2013, FOTIC established a trust to raise financing of RMB550,000,000 to purchase 39% shareholding and 10% shareholding in Chengdu Sunshine 100 from Sunshine 100 Group and Beijing Century, respectively. Sunshine 100 Group has a call option which will be exercisable from October 2014 to October 2015, the maturity date of the trust, to repurchase 49% shareholding in Chengdu Sunshine 100 at a fixed annual rate of return. FOTIC only owned the right to obtain interest income based on a fixed rate generated from the financing provided to the Group.

Based on the facts and circumstances of the FOTIC Agreements, the whole agreement is in substance a secured financing from FOTIC and the 49% shareholding in Chengdu Sunshine 100 is in substance a securing for such financing. The Group maintained control over Chengdu Sunshine 100 and treated it as a wholly-owned subsidiary of the Group.

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Notes: (Continued)

- (ix) In September 2012, Sunshine 100 Group and Hunan Sunshine 100 entered into a cooperation agreement with Tianjin Nongken Hongyilian, based on which Tianjin Nongken Hongyilian granted loans of RMB500 million bearing interest at 12% per annum and acquired 15% equity interest of Hunan Sunshine 100 from Sunshine 100 Group by way of an additional capital injection of RMB100 million. Sunshine 100 Group will repurchase the 15% equity interest in Hunan Sunshine 100 from Tianjin Nongken Hongyilian at RMB100 million upon the loan from Tianjin Nongken Hongyilian is repaid in 2018. As at 31 December 2014, Sunshine 100 Group and Tianjin Nongken Hongyilian held 85% and 15% equity interest of Hunan Sunshine 100, respectively. Tianjin Nongken Hongyilian only owned the right to obtain interest income based on a fixed rate generated from the financing provided to the Group. Accordingly, the cash consideration and capital injected were in substance a secured financing arrangement and have been recognized as financial liability in the consolidated financial statements as loan granted to the Group rather than equity interest in Hunan Sunshine 100. The Group maintained control over Hunan Sunshine 100 and treated it as a wholly-owned subsidiary of the Group during the year.
- (x) In connections with loans received from certain trust companies, the Group pledged or transferred the Group's equity interests in these entities to certain trust companies.

Although the Group has pledged its equity interests in these entities to the trust companies or transferred the Group's equity interests in these entities to the trust companies, the Group consolidates these entities in accordance with IFRS 10 *Consolidated Financial Statements* because the Group is exposed, or has rights, to variable returns from its involvement with these entities and the Group has the ability to affect those returns through its power to direct the relevant activities of the entities as more fully described below.

- *Hunan Sunshine 100, Wuxi Suyuan, Hubei Sunshine 100, Liaoning Sunshine 100, Yingda Weihua, Liuzhou Xinqiannian, Guangxi Jingqi and Weifang Sunshine 100*  
Although the Group has pledged its equity interests in these entities to the trust companies as security, the trust companies do not have (i) any representation at the shareholders meetings (ii) any representation on the board of directors or (iii) any veto rights. Accordingly, the Group's rights, including its power to direct the activities of these entities, are not impacted by such pledges.
- *Hubei Sunshine 100, Chongqing Yuneng 100, Yantai Sunshine 100, Weifang Sunshine 100 and Chengdu Sunshine 100*  
The Group has transferred its equity interests in these entities to the trust companies. In addition, the trust companies have voting rights at the shareholders meetings and the board of directors meetings and certain resolutions require approval of the trust companies. Despite these rights held by the trust companies, the Group has maintained the power to direct the relevant activities of these entities because the Group has (i) substantive potential voting rights, such as call options to buy back the equity interests held by the trust companies, or (ii) obtained a letter of commitment from the trust companies confirming that the trust companies would vote in line with the decisions of the Group.

For all the entities described above, the Group's returns from its interests in these entities vary with the entities business performance. In addition, the Group is also entitled to the residual interests in these entities. In contrast, the returns of the trust companies are fixed and pre-determined in the trust financing agreements.



# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Notes: (Continued)

- (xi) During the year ended 31 December 2014, the Group invested RMB311,100,000 to acquire remaining 51% equity interest in Guangxi Jingqi, an associate of the Group which engages in the development of Guangxi Yaobu Project and Dongguan Songshan Project from Guangxi Sanqi Investment Co., Ltd., a third party. On 3 November 2014, the Group obtained the unilateral ability to direct the policies and management that guide the ongoing activities, obtain decision-making powers, receive benefits and bear substantive operation risks of Guangxi Jingqi. Guangxi Jingqi has been accounted for as a wholly-owned subsidiary of the Group from then on.
- (xii) During the year ended 31 December 2014, the Group invested RMB117,319,289 to acquire remaining 70% equity interest in Guilin Sunshine 100, an associate of the Group which engages in the development of Guilin Scape Project, from Guangxi Laomumian Investment Co., Ltd., a related party of the Group. On 4 November 2014, the Group obtained the unilateral ability to direct the policies and management that guide the ongoing activities, obtain decision-making powers, receive benefits and bear substantive operation risks of Guilin Sunshine 100. Guilin Sunshine 100 has been accounted for as a wholly-owned subsidiary of the Group from then on.
- (xiii) During the year ended 31 December 2014, the Group entered into an agreement with Mr. Zhou Chen, Mr. Shi Zhitao, Ms. Zhou Pinfen and Ms. Qian Yunyun (“the 4 individuals”) to acquire 80% equity interest in Wuxi Jintao, a project company that mainly engaged in the development of Dongjiu Commercial Street Project, at a consideration of RMB144,000,000. As at 31 December 2014, the Group settled part of consideration of RMB50,000,000 for the 52% equity interest in Wuxi Jintao from the 4 individuals. On 5 November 2014, the Group obtained the unilateral ability to direct the policies and management that guide the ongoing activities, obtain decision-making powers, receive majority benefits and bear substantive operation risks of Wuxi Jintao. Wuxi Jintao has been accounted for as a subsidiary of the Group from then on. In accordance with the agreement, the Group paid the consideration of RMB70,000,000 in January 2015, the remaining consideration of RMB24,000,000 will be paid in August 2015.
- (xiv) The following tables list out the information relating to Jinan Sunshine 100, Chang Jia and Nanning Zhuangye, the subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

### Jinan Sunshine 100

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
NCI percentage	51%	51%
Current assets	2,343,999	2,265,809
Non-current assets	945,032	975,987
Current liabilities	(1,619,345)	(1,767,650)
Non-current liabilities	(972,494)	(848,393)
Net assets	697,192	625,753
Carrying amount of NCI	355,568	319,134

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Notes: (Continued)

(xiv) (Continued)

	2014 <i>RMB'000</i>	Four months ended 31 December 2013 <i>RMB'000</i>
Revenue	<b>1,052,591</b>	90,895
Profit for the year/period	<b>71,439</b>	15,414
Total comprehensive income	<b>71,439</b>	15,414
Profit allocated to NCI	<b>36,434</b>	7,861
Cash flows from operating activities	<b>(116,681)</b>	62,616
Cash flows from investing activities	<b>(393)</b>	(117)
Cash flows from financing activities	<b>82,053</b>	(188,957)

### Chang Jia

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
NCI percentage	<b>45%</b>	45%
Current assets	<b>1,826,999</b>	1,590,618
Non-current assets	<b>36,809</b>	17,690
Current liabilities	<b>(1,315,139)</b>	(852,946)
Non-current liabilities	<b>(248,824)</b>	(454,824)
Net assets	<b>299,845</b>	300,538
Carrying amount of NCI	<b>134,930</b>	135,242
Revenue	<b>654,835</b>	—
Loss for the year	<b>(693)</b>	(22,258)
Total comprehensive income	<b>(693)</b>	(22,258)
Loss allocated to NCI	<b>(312)</b>	(10,016)
Cash flows from operating activities	<b>(19,421)</b>	(65,703)
Cash flows from investing activities	<b>109,312</b>	(76,424)
Cash flows from financing activities	<b>(163,502)</b>	267,348

# Notes to the Financial Statements

## 13 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (Continued)

Notes: (Continued)

(xiv) (Continued)

### Nanning Zhuangye

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
NCI percentage	74%	74%
Current assets	139,695	141,202
Non-current assets	32	47
Current liabilities	(15,553)	(16,517)
Net assets	124,174	124,732
Carrying amount of NCI	91,889	92,302
Revenue	941	500
Loss for the year	(558)	(916)
Total comprehensive income	(558)	(916)
Loss allocated to NCI	(413)	(678)
Cash flows from operating activities	(469)	(1,661)
Cash flows from investing activities	–	–
Cash flows from financing activities	–	–

## 14 INVESTMENTS IN ASSOCIATES – THE GROUP

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Share of net assets	118,423	163,162



## Notes to the Financial Statements

### 14 INVESTMENTS IN ASSOCIATES – THE GROUP (Continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

#### Chongqing Yuneng Wanyi

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current assets	<b>438,653</b>	623,157
Non-current assets	<b>286,404</b>	302,049
Current liabilities	<b>(315,379)</b>	(672,598)
Non-current liabilities	<b>(191,641)</b>	(28,518)
Equity	<b>218,037</b>	224,090
Reconciled to the Group's interests in Chongqing Yuneng Wanyi		
Gross amounts of net assets of the associate	<b>218,037</b>	224,090
Group's effective interest	<b>30%</b>	30%
Group's share of net assets of the associate	<b>65,411</b>	67,227
<hr/>		
Revenue	<b>123,367</b>	365,617
(Loss)/profit from continuing operations	<b>(6,053)</b>	113,150
Total comprehensive income	<b>(6,053)</b>	113,150

# Notes to the Financial Statements

## 14 INVESTMENTS IN ASSOCIATES – THE GROUP (Continued)

### Guangxi Jingqi

	2013
	<i>RMB'000</i>
Current assets	1,529,711
Non-current assets	735
Current liabilities	(1,148,710)
Non-current liabilities	(300,000)
Equity	81,736
– Attributable to equity shareholders	71,838
– Non-controlling interest	9,898
Reconciled to the Group's interests in Guangxi Jingqi	
Gross amounts of net assets of the associate	71,838
Group's effective interest	49%
Group's share of net assets of the associate	35,200
Revenue	–
Loss from continuing operations	(27,886)
Total comprehensive income	(27,886)

Aggregate information of associates that are not individually material:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<b>53,012</b>	60,735
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	<b>75,614</b>	7,794
Total comprehensive income	<b>75,614</b>	7,794

# Notes to the Financial Statements

## 15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

### (a) Current taxation in the consolidated balance sheet represents:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PRC Corporate Income Tax payable	531,214	490,288
Land Appreciation Tax payable	394,573	360,702
	<b>925,787</b>	850,990

### (b) Deferred tax assets and liabilities recognized:

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

	Note	Tax losses <i>RMB'000</i>	Land development for sale, properties under development and completed properties held for sale <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Property and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013		77,930	340,988	(608,785)	—	(189,867)
Acquisition of a subsidiary		—	(25,396)	(81,083)	(10,245)	(116,724)
Credited/(charged) to profit or loss	5(a)	(18,709)	(33,582)	(62,888)	128	(115,051)
At 31 December 2013		59,221	282,010	(752,756)	(10,117)	(421,642)
At 1 January 2014		<b>59,221</b>	<b>282,010</b>	<b>(752,756)</b>	<b>(10,117)</b>	<b>(421,642)</b>
Acquisition of subsidiaries	29	—	(178,636)	(73,552)	26	(252,162)
Credited/(charged) to profit or loss	5(a)	7,964	(46,893)	(96,063)	512	(134,480)
At 31 December 2014		<b>67,185</b>	<b>56,481</b>	<b>(922,371)</b>	<b>(9,579)</b>	<b>(808,284)</b>

# Notes to the Financial Statements

## 15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (Continued)

### (b) Deferred tax assets and liabilities recognized: (Continued)

#### (ii) Reconciliation to the consolidated balance sheet:

	2014 RMB'000	2013 RMB'000
Deferred tax assets recognized in the consolidated balance sheet	500,725	466,448
Deferred tax liabilities recognized in the consolidated balance sheet	(1,309,009)	(888,090)
	<b>(808,284)</b>	(421,642)

### (c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 1(u), the Group has not recognized deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB655,140,000 at 31 December 2014 (2013: RMB501,239,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant subsidiaries. As at 31 December 2014, RMB21,788,000, RMB43,193,000, RMB93,954,000, RMB303,165,000 and RMB193,040,000 of these tax losses will expire in 2015, 2016, 2017, 2018 and 2019, respectively.

### (d) Deferred tax liabilities not recognized

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profits earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognized for the dividends that have been declared, and deferred tax liability is recognized for those to be declared in the foreseeable future. As at 31 December 2014, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB4,326,846,000 (2013: RMB3,421,483,000). Deferred tax liabilities of RMB432,685,000 (2013: RMB342,148,000) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.



## Notes to the Financial Statements

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Properties under development	12,789,665	11,059,693
Completed properties held for sale	7,006,098	4,461,776
	<b>19,795,763</b>	15,521,469

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
In the PRC		
– Long-term lease	5,165,226	3,764,546
– Medium-term lease	2,732,253	2,339,590
	<b>7,897,479</b>	6,104,136

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Properties under development	7,237,441	7,760,857

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

## Notes to the Financial Statements

### 16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE – THE GROUP (Continued)

- (c) The analysis of the amount of properties under development and completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Carrying amount of properties sold	5,253,883	3,956,534
Write-down of properties under development and completed properties held for sale	109,783	—
	<b>5,363,666</b>	3,956,534

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

### 17 LAND DEVELOPMENT FOR SALE – THE GROUP

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Land development for sale	752,809	680,006

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realized in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy set out in Note 1(w)(ii), revenue in relation to land development for sale is recognized depending on the timing of sales of related land plots by the government to third parties.

## Notes to the Financial Statements

### 18 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>The Group</b>			
Trade receivables		<b>1,167,910</b>	836,409
Advances provided to third parties		<b>903,869</b>	388,052
Amounts due from related parties	28(b)	<b>20</b>	481,677
Other receivables		<b>157,709</b>	129,941
		<b>2,229,508</b>	1,836,079
Less: allowance for doubtful debts		<b>45,000</b>	—
Loans and receivables		<b>2,184,508</b>	1,836,079
Deposits and prepayments		<b>1,120,028</b>	903,016
		<b>3,304,536</b>	2,739,095
Less: non-current portion of trade receivables		<b>54,705</b>	—
		<b>3,249,831</b>	2,739,095
<b>The Company</b>			
Prepayments		<b>324</b>	16,548
Other receivables		<b>589,941</b>	—
		<b>590,265</b>	16,548

# Notes to the Financial Statements

## 18 TRADE AND OTHER RECEIVABLES (Continued)

### (a) Ageing analysis

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current	352,936	157,562
1 to 6 months past due	196,525	68,570
6 months to 1 year past due	12,793	582
More than 1 year past due	605,656	609,695
Amounts past due	814,974	678,847
	<b>1,167,910</b>	836,409

The Group's credit policy is set out in Note 27(a).

### (b) Impairment of loans and receivables

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

At 31 December 2014, the Group's advance provided to third parties of RMB45,000,000 was individually determined to be impaired. The individually impaired receivables from a third party with which the Group had no continuous business relationship and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB45,000,000 was recognised.

## Notes to the Financial Statements

### 18 TRADE AND OTHER RECEIVABLES (Continued)

#### (c) Loans and receivables that are not impaired

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	1,369,534	1,157,232
1 to 6 months past due	196,525	68,570
6 months to 1 year past due	12,793	582
More than 1 year past due	605,656	609,695
Amounts past due	814,974	678,847
	<b>2,184,508</b>	1,836,079

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

Receivables that were past due but not impaired mainly included revenue from land development for sale of RMB581,089,000 as at 31 December 2014 and 2013 from the government of Chenghua District, Chengdu. As at 31 December 2013, the directors of the Group were of the opinion that no provision on the receivable of RMB581,089,000 due from the government of Chenghua District, Chengdu was required based on the facts set out below:

- Based on a series of agreements entered into by the Group and the government of Chenghua District, Chengdu, the Group is entitled to receive RMB2,508,089,000 after netting off the payable of RMB234,411,000 to the government of Chenghua District, Chengdu, of which RMB1,927,000,000 has been received by the Group;
- The government of Chenghua District, Chengdu issued a notice to the Company on 2 July 2013 to confirm the remaining balance of RMB581,089,000;
- The Group has continuous business relationship with the government of Chenghua District, Chengdu during the year ended 31 December 2013;

# Notes to the Financial Statements

## **18 TRADE AND OTHER RECEIVABLES** (Continued)

### **(c) Loans and receivables that are not impaired** (Continued)

- The management of the Company represented that the agreements are legally enforceable, as supported by a legal opinion received by the Group, and there was no indication that the government of Chenghua District, Chengdu would not, or would have financial difficulties to, fulfil its obligation to settle the balance.

During the year ended 31 December 2014, considering the long ageing of the receivables, the Group planned to collect it back from the government of Chenghua District, Chengdu by way of the lawsuit. In February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a penalty of RMB15,000,000. The first trial will be called in court on 13 May 2015.

As at 31 December 2014, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the government of Chenghua District, Chengdu was required, as supported by a legal opinion on the result of the lawsuit received by the Group, and there is no indication that the government of Chenghua District, Chengdu will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, the management believes that no impairment allowance is necessary in respect of these balances and the balances are still considered fully recoverable.

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sales of properties from a number of independent customers that have a good relationship with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Of the remaining balances that were past due but not impaired, the Group holds the title of the property units as collateral over the balance of trade receivables of RMB233,885,000 (2013: RMB66,154,000).

# Notes to the Financial Statements

## 19 RESTRICTED DEPOSITS – THE GROUP

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
Non-current restricted deposits for:			
– Guarantee for mortgage loans	(i)	<b>72,700</b>	58,740
– Guarantee for demolition fees	(ii)	<b>21,696</b>	61,293
– Guarantee for loans and borrowings	21(h)	<b>139,043</b>	200,000
– Restricted cash related to pre-sale proceeds received	(v)	<b>166,014</b>	82,738
		<b>399,453</b>	402,771
Current restricted deposits for:			
– Guarantee for mortgage loans	(i)	<b>75,492</b>	67,100
– Guarantee for bills payable	(iv)	<b>197,000</b>	100,500
– Guarantee for loans and borrowings	21(h)	<b>396,000</b>	1,342,147
– Guarantee for construction fees	(iii)	<b>7,014</b>	22,742
– Restricted cash related to pre-sale proceeds received	(v)	<b>52,955</b>	24,865
		<b>728,461</b>	1,557,354
		<b>1,127,914</b>	1,960,125

The above restricted deposits are restricted as follows:

- (i) The Group has entered into agreements with certain banks and other financial institutions with respect to mortgage loans provided to buyers of the Group's property units. As at 31 December 2014, the Group had restricted bank deposits of RMB148,192,000 (2013: RMB125,840,000), as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank or other financial institution can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks and other financial institutions or the related mortgage loans are repaid by buyers.
- (ii) As at 31 December 2014, the Group had restricted bank deposits of RMB21,696,000 (2013: RMB61,293,000), as non-cancellable guarantees on demolition fees payable to original residents. Should the Group fail to pay the demolition fees, the government can draw down the security deposits up to the amount of outstanding demolition fees and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

# Notes to the Financial Statements

## 19 RESTRICTED DEPOSITS – THE GROUP (Continued)

- (iii) As at 31 December 2014, pursuant to a government regulation, the Group had restricted deposits placed at banks of RMB7,014,000 (2013: RMB22,742,000), as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank or the government can drawdown the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.
- (iv) As at 31 December 2014, the Group had restricted bank deposits with terms of four to five months of RMB197,000,000 (2013: RMB100,500,000), as security for settlement of bills payable. Should the Group fail to settle the bills payable, the bank can draw down the security deposits up to the amount of outstanding bills payable and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.
- (v) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB218,969,000, at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2014 (2013: RMB107,603,000). The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

## 20 CASH AND CASH EQUIVALENTS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>The Group</b>		
Cash on hand	808	426
Cash at bank	2,557,038	1,216,098
	<b>2,557,846</b>	1,216,524
<b>The Company</b>		
Cash at bank	297,588	3,152



## Notes to the Financial Statements

### 21 LOANS AND BORROWINGS

	Note	2014 RMB'000	2013 RMB'000
<b>The Group</b>			
Loans and borrowings at amortized cost			
— Long-term		12,329,792	10,875,094
— Short-term		1,193,468	2,302,462
— Senior notes	(a)	1,279,513	—
		<b>14,802,773</b>	13,177,556
Loans at fair value through profit or loss:			
— Loans from Riverside	(b)	—	587,196
— Loans from Hangzhou Industrial and Commerce Trust	(c)	38,245	37,285
		<b>38,245</b>	624,481
		<b>14,841,018</b>	13,802,037
<b>The Company</b>			
Loans and borrowings at amortized cost			
— Short-term		135,000	1,153,000
— Senior notes	(a)	1,279,513	—
		<b>1,414,513</b>	1,153,000
Loans at fair value through profit or loss:			
— Loans from Riverside	(b)	—	587,196
		<b>1,414,513</b>	1,740,196

# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

### (a) Senior notes

The Company issued senior notes of aggregate amount of USD115,000,000 and USD100,000,000 on 8 October 2014 and 10 December 2014, respectively (the "Senior Notes"), which are interest bearing at 12.75% per annum, due in October 2017 and listed on the Stock Exchange of Hong Kong Limited.

As at 31 December 2014, the Senior Notes were guaranteed by the Company, Sunmode, Riverside and Keyasia, the 4 subsidiaries of the Company registered in Mauritius, the BVI and the Cayman Islands, respectively. The guarantee will be released upon the full and final payments of the Senior Notes.

The Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. As at 31 December 2014, none of the covenants relating to the Senior Notes had been breached.

### (b) Loans from Riverside

	<i>Note</i>	<i>RMB'000</i>
At 1 January 2013		933,475
Repayment		(400,000)
Fair value adjustment charged to profit or loss	4(a)	97,986
De-recognition and credited to profit or loss	4(a)	(672,583)
Recognition and charged to profit or loss	4(a)	628,318
<hr/>		
At 31 December 2013		587,196
<hr/>		
At 1 January 2014		<b>587,196</b>
Repayment		<b>(259,206)</b>
Fair value adjustment charged to profit or loss	4(a)	<b>30,086</b>
Conversion to shares of the Company		<b>(358,076)</b>
<hr/>		
At 31 December 2014		—

# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

### (b) Loans from Riverside (Continued)

Pursuant to the agreements entered into by 8 individuals namely Mr. Yi Xiaodi (50%), Mr. Fan Xiaochong (15%), Ms. Fan Xiaohua (10%), Mr. Jin Xiangfei (8.5%), Mr. Liao Chimei (6%), Mr. Tian Feng (4.5%), Mr. Li Mingqiang (3%) and Ms. Liu Chaohui (3%) (collectively referred to as the “8 individuals”), Sunshine 100 Group and Riverside, an affiliate of Warburg Pincus, which lent loans to the Group in previous years, in relation to a convertible note issued by the Company, a total amount of RMB358,076,000, of which were converted into 113,284,988 ordinary shares of the Company at HKD4.00, the initial public offering (the “IPO”) price to settle the loans from Riverside, and remaining loans of RMB259,206,000 were repaid in cash by the Company during the year ended 31 December 2014.

### (c) Loans from Hangzhou Industrial and Commerce Trust

	<i>Note</i>	<i>RMB'000</i>
At 1 January 2013		—
Proceeds		15,000
Fair value adjustment charged to profit or loss	4(a)	22,285
<hr/>		
At 31 December 2013		37,285
<hr/>		
At 1 January 2014		<b>37,285</b>
Fair value adjustment charged to profit or loss	4(a)	<b>960</b>
<hr/>		
At 31 December 2014		<b>38,245</b>

The Yantai loans from Hangzhou Industrial and Commerce Trust were provided to the Group in two batches as follows:

- (a) Hangzhou Industrial and Commerce Trust lent loans amounting to RMB185,000,000 and RMB200,000,000 to Yantai Sunshine 100 in March and June 2013, respectively. The loan bears interests at 14.6% per annum and will be matured on 25 March 2015 and 6 June 2015, respectively.
- (b) 30% shareholding of Yantai Sunshine 100 (the “30% Yantai Sunshine 100 Shareholding”) was transferred from the Group to Hangzhou Industrial and Commerce Trust at a consideration of RMB15,000,000.

# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

### (c) Loans from Hangzhou Industrial and Commerce Trust (Continued)

Pursuant to the Cooperation Agreement I, the Group and Hangzhou Industrial and Commerce Trust reached follow agreements as detailed below:

- (a) Yantai Sunshine 100 or the Group has a right to early repay the loans amounted to RMB385,000,000 from the 13th month at the principal plus the outstanding interests.
- (b) The Group has a call option to purchase 20% Yantai Sunshine 100 Shareholding in the first year at variable considerations as detailed below:
  - If the call option was exercised and the principal was repaid in stalment in accordance with the payment schedule till the maturity date stipulated in the Cooperation Agreement I, the consideration would be RMB10,000,000 plus a 15% annual rate of return;
  - If the call option was exercised and the principal was repaid early, the consideration would be RMB10,000,000 plus a 18% annual rate of return.

In May 2014, the Group exercised the call option and repaid the principle in stalment in accordance with the payment schedule till the maturity date stipulated in the Cooperation Agreement I.

- (c) The Group has an obligation to purchase 10% Yantai Sunshine 100 Shareholding at variable considerations as detailed below:
  - If the principal was repaid at the maturity date, the consideration would be the consideration would be (i) the fair value of Yantai Sunshine 100 at the date of settlement, if the fair value was higher than RMB5,000,000 plus a 20% annual rate of return but lower than RMB400,000,000 plus a 18% annual rate of return deducting repaid loans and interests and the consideration of acquisition back of the 20% Yantai Sunshine 100 Shareholding or (ii) RMB5,000,000 plus a 20% annual rate of return, if the fair value of Yantai Sunshine 100 was lower than RMB5,000,000 plus a 20% annual rate of return, or (iii) RMB400,000,000 plus a 18% annual rate of return deduct repaid loans and interests, if the fair value was higher than RMB400,000,000 plus a 18% annual rate of return deducting repaid loans and interests and the consideration of acquisition back of the 20% Yantai Sunshine 100 Shareholding;
  - If the principal was repaid early, the consideration would be RMB5,000,000 plus a 40% annual rate of return.

# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

### (c) Loans from Hangzhou Industrial and Commerce Trust (Continued)

The Yantai loans from Hangzhou Industrial and Commerce Trust were accounted for as a combined hybrid financial instrument, containing the derivative component and the liability component. The liability component were designated by the Group as financial liability at fair value through profit and loss.

Fair values of the derivative components and the liability component under the Cooperation Agreement I were valued by the directors with reference to the valuation reports issued by Crowe Horwath, using the Binomial tree model. Key assumptions and variables used in the valuation are as follows:

	2014
Total business value at the measurement date (RMB'000)	58,143
Expected volatility	23.29%–62.54%
Discount rate	3.40%
Time to maturity	1.5 years
Dividend yield	0%
Risk-free interest rate	3.40%

# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

(d) The Group's and the Company's long-term loans and borrowings comprise:

	2014 RMB'000	2013 RMB'000
<b>The Group</b>		
Loans at fair value through profit or loss:		
Loans from Riverside	—	587,196
Loans from Hangzhou Industrial and Commerce Trust	38,245	37,285
Sub-total	38,245	624,481
Loans and borrowings at amortized cost:		
Bank loans — secured	4,738,305	4,111,625
Loans from other financial institutions — secured	7,079,544	5,999,737
Loans from third parties — secured	—	70,000
— unsecured	511,943	693,732
Senior notes	1,279,513	—
Sub-total	13,609,305	10,875,094
Less: Current portion of long-term loans and borrowings:		
Loans from Riverside	—	587,196
Bank loans	2,645,050	1,104,767
Loans from other financial institutions	4,095,028	1,006,000
Loans from third parties	70,000	49,877
Sub-total	6,810,078	2,747,840
	<b>6,837,472</b>	<b>8,751,735</b>
<b>The Company</b>		
Loans from Riverside	—	587,196
Loans and borrowings at amortized cost:		
Senior notes	1,279,513	—
Sub-total	1,279,513	587,196
Less: Current portion of long-term loans and borrowings:		
Loans from Riverside	—	587,196
	<b>1,279,513</b>	<b>—</b>

## Notes to the Financial Statements

### 21 LOANS AND BORROWINGS (Continued)

(e) The Group's and the Company's short-term loans and borrowings comprise:

	Note	2014 RMB'000	2013 RMB'000
<b>The Group</b>			
Loans and borrowings at amortized cost:			
Bank loans			
— secured		562,650	1,495,500
Loans from other financial institutions			
— secured		13,000	230,000
Loans from related parties	21(i)		
— unsecured		20,817	20,817
Loans from third parties			
— secured		585,001	20,000
— unsecured		12,000	536,145
Sub-total		<b>1,193,468</b>	2,302,462
Current portion of long-term loans and borrowings		<b>6,810,078</b>	2,747,840
		<b>8,003,546</b>	5,050,302
<b>The Company</b>			
Loans and borrowings at amortized cost:			
Bank loans			
— secured		135,000	1,153,000
Current portion of long-term loans and borrowings		—	587,196
		<b>135,000</b>	1,740,196

# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

(f) The Group's and the Company's effective interest rates per annum on loans and borrowings at amortized cost are as follows:

	2014	2013
<b>The Group</b>		
<b>Long-term</b>		
Bank loans	6.15%–10.46%	6.15%–10.46%
Loans from other financial institutions	7.12%–15.00%	7.12%–14.64%
Loans from third parties	6.15%–8.03%	6.15%–15.00%
Senior notes	12.75%	—
<b>Short-term</b>		
Bank loans	3.00%–10.00%	3.00%–13.00%
Loans from other financial institutions	12.50%	12.00%
Loans from related parties	12.00%	3.50%–10.00%
Loans from third parties	6.15%–15.00%	6.15%–18.00%
<b>The Company</b>		
<b>Long-term</b>		
Senior notes	12.75%	—
<b>Short-term</b>		
Bank loans	3.00%–3.50%	3.00%–3.50%

(g) The Group's and the Company's loans and borrowings are repayable as follows:

	2014 RMB'000	2013 RMB'000
<b>The Group</b>		
Within 1 year or on demand	8,003,546	5,050,302
After 1 year but within 2 years	3,574,957	6,660,724
After 2 years but within 5 years	2,784,515	1,961,537
After 5 years	478,000	129,474
	6,837,472	8,751,735
	14,841,018	13,802,037



# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

(g) The Group's and the Company's loans and borrowings are repayable as follows: (Continued)

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>The Company</b>		
Within 1 year or on demand	135,000	1,740,196
After 2 years but within 5 years	1,279,513	—
	<b>1,414,513</b>	1,740,196

(h) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group and the Company at each balance sheet date:

(i)	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>The Group</b>			
Property and equipment	11(b)	510,117	283,351
Investment properties	12(c)	1,965,333	1,331,041
Properties under development and completed properties held for sale	16(d)	6,258,269	5,050,248
Restricted deposits	19	535,043	1,542,147
		<b>9,268,762</b>	8,206,787

### The Company

As at 31 December 2014, bank loans of the Company were secured by restricted deposits of a subsidiary of the Company of RMB135,000,000 (2013: RMB1,153,000,000).

# Notes to the Financial Statements

## 21 LOANS AND BORROWINGS (Continued)

(h) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group and the Company at each balance sheet date: (Continued)

(ii) As at 31 December 2014, loans and borrowings amounted to RMB5,322,741,000 (2013: RMB3,802,097,000), were secured by a charge over the shares of the Company and 14 subsidiaries of the Group, Sunmode, Riverside, Keyasia, Hubei Sunshine 100, Yingda Weihua, Hunan Sunshine 100, Wuxi Suyuan, Weifang Sunshine 100, Yantai Sunshine 100, Chengdu Sunshine 100, Guangxi Jingqi, Liuzhou Xinqiannian, Liaoning Sunshine 100 and Chongqing Yuneng 100.

(iii) As at 31 December 2014, loans amounted to RMB400,000,000 (2013: RMB280,000,000), were guaranteed by Mr. Yi Xiaodi, the Chairman of the Group, and Ms. Xu Yunxia, the spouse of Mr. Yi Xiaodi.

(i) The Group has defaulted in the repayment of loans and borrowings as follows:

	2014 RMB'000	2013 RMB'000
Loan from Chongqing Yuneng Wanyi		
– Principal payables	20,817	20,817
– Interest payables	4,725	233
	<b>25,542</b>	21,050

The loan from Chongqing Yuneng Wanyi was not duly settled as the Group is in the process of negotiating certain transactions with the related party. It will be settled together with the mentioned transactions.

(j) As at 31 December 2014, loans and borrowings amounted to RMB nil (2013: RMB215,180,000) were reclassified as loans and borrowings payable on demand as certain subsidiaries of the Group breached certain loan covenants which permitted the lender to demand immediate repayments.

# Notes to the Financial Statements

## 22 TRADE AND OTHER PAYABLES – THE GROUP

	Note	2014 RMB'000	2013 RMB'000
Trade payables	(i)	5,141,767	3,640,885
Advances received from third parties		912,714	134,459
Consideration payables for acquisition of subsidiaries		306,870	489,100
Amounts due to related parties	28(b)	58	69,165
Other payables		434,811	410,941
<hr/>			
Financial liabilities measured at amortized cost		6,796,220	4,744,550
Receipts in advance		1,144,739	18,995
Other taxes payable		77,878	104,828
<hr/>			
		8,018,837	4,868,373
<hr/>			
Less: non-current portion of trade payables		1,177,106	1,026,440
non-current portion of other payables	(ii)	104,824	104,824
<hr/>			
		1,281,930	1,131,264
<hr/>			
		6,736,907	3,737,109

Notes:

(i) The ageing analysis of trade payables based on due date is as follows:

	2014 RMB'000	2013 RMB'000
Due within 1 year or on demand	3,964,661	2,614,445
Due after 1 year but within 2 years	1,011,783	717,959
Due after 2 years but within 5 years	165,323	308,481
<hr/>		
	5,141,767	3,640,885

(ii) The non-current portion of other payables represented the consideration payables for acquisition of subsidiaries. As at 31 December 2014, RMB104,824,000 (2013: RMB104,824,000) were pledged by the 100% equity interest of Lofty Talent and Eminent Star, and the 55% equity interest of Chang Jia, and will be due in 2016.

# Notes to the Financial Statements

## 23 SALES DEPOSITS – THE GROUP

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

## 24 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

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

#### The Company:

	Share capital <i>RMB'000</i> <i>Note 24(c)</i>	Share premium <i>RMB'000</i>	(Accumulated losses)/ Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2013 (as previously reported)	376	—	(985,589)	(985,213)
Impact of change in accounting policy	—	—	2,305,222	2,305,222
Balance at 1 January 2013 (as restated)	376	—	1,319,633	1,320,009
Profit and total comprehensive income for the year (as restated)	—	—	672,050	672,050
Balances at 31 December 2013 and 1 January 2014 (as restated)	<b>376</b>	<b>—</b>	<b>1,991,683</b>	<b>1,992,059</b>
Profit and total comprehensive income for the year	—	—	766,543	766,543
Split and repurchase of shares	(69)	—	—	(69)
Initial public offering	3,949	1,499,317	—	1,503,266
Conversion of Loans of Riverside	895	357,181	—	358,076
Capitalisation of shares	10,609	(10,609)	—	—
Balance at 31 December 2014	<b>15,760</b>	<b>1,845,889</b>	<b>2,758,226</b>	<b>4,619,875</b>

# Notes to the Financial Statements

## 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (b) Dividends

The Company did not declare any dividends for the years ended 31 December 2014 and 2013.

### (c) Share capital

	Note	2014		2013	
		No of shares	HKD'000	No of shares	USD'000
<b>Authorised:</b>					
Ordinary shares	(i)	3,000,000,000	30,000	50,000	50

	Note	2014		2013	
		No of shares	RMB'000	No of shares	RMB'000
<b>Issued and fully paid</b>					
At 1 January		50,000	376	50,000	376
Split and repurchase of shares	(i)	38,950,000	(69)	—	—
Initial public offering	(ii)	500,000,000	3,949	—	—
Conversion of Loans from Riverside	(iii)	113,284,988	895	—	—
Capitalisation of shares	(iv)	1,347,715,012	10,609	—	—
At 31 December		2,000,000,000	15,760	50,000	376

#### (i) Split and repurchase of shares

Pursuant to a written resolution of all the directors of the Company passed on 14 February 2014, it was resolved that the authorised share capital of the Company increased to HKD30,000,000 by the creation of 3,000,000,000 shares of a nominal or par value of HKD0.01 each (the "Increase"). Following the Increase, the Company issued 39,000,000 new shares at par value of HKD0.01 each fully paid to Joywise Holdings Limited ("Joywise"), the parent company of the Company, and repurchased existing 50,000 issued shares at par value of United States Dollar ("USD") 1.00 each held by Joywise.

#### (ii) IPO

On 13 March 2014, the Company issued 500,000,000 shares with a par value of HKD0.01 each, at a price of HKD4.00 per share by way of the IPO on the Stock Exchange of Hong Kong Limited.

# Notes to the Financial Statements

## 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (c) Share capital (Continued)

#### (iii) Conversion of Loans from Riverside

Pursuant to the certain agreements entered into by the 8 individuals, Sunshine 100 Group and Riverside, in relation to a convertible note issued by the Company, a total amount of RMB358,076,000, of which were converted into 113,284,988 ordinary shares of the Company at HKD4.00, the IPO price.

#### (iv) Capitalisation of shares

Pursuant to a resolution of shareholders of the Company dated 17 February 2014, the number of capitalization shares is equal to 1,347,715,012 shares. A sum of HKD13,477,150.12 is capitalized from the amount standing to the credit of the share premium account of the Company and that the said sum is applied in paying up in full at par 1,347,715,012 new capitalization shares. The capitalization shares were allotted on 13 March 2014 and distributed, credited as fully paid at par.

### (d) Nature and purpose of reserves

#### (i) Share premium

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

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

#### (ii) General reserve fund

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

# Notes to the Financial Statements

## 24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (d) Nature and purpose of reserves (Continued)

#### (iii) Fair value reserve

The fair value reserve represents the cumulative net change in the fair value of available-for-sale investment products held by the Group net of deferred tax, which is dealt with in accordance with the accounting policies set out in Notes 1(g) and 1(l).

#### (iv) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in Note 1(i).

### (e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB4,604,115,000 (2013: RMB1,991,683,000 (as restated)), including retained profits and share premium as disclosed in Notes 24(a).

### (f) Capital management

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

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

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings divided by the total assets. As at 31 December 2014, the gearing ratio of the Group was 42.32% (2013: 49.46%).

# Notes to the Financial Statements

## 25 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the relevant local government authorities for its staff. The Group was required to make contributions to the retirement scheme at 12% to 20% of the gross salaries of its staff.

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

## 26 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Capital commitments

As at 31 December 2014 and 2013, the Group has the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Contracted for	1,566,697	2,152,759
Approved but not contracted for	5,301,290	4,232,463
	<b>6,867,987</b>	6,385,222

The Group's share of its associates' own capital commitment, which is not included above, is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Contracted for	—	81,205
Approved but not contracted for	—	169,936
	—	251,141



# Notes to the Financial Statements

## 26 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

### (b) Investment commitments

Commitments in respect of equity investments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014 RMB'000	2013 RMB'000
Contracted for	160,888	—

### (c) Operating lease commitments

As at 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	12,556	15,275
After 1 year but within 5 years	22,746	28,489
After 5 years	12,330	17,325
	47,632	61,089

### (d) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB5,180,068,000 as at 31 December 2014 (2013: RMB4,349,233,000).

### (e) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

# Notes to the Financial Statements

## 26 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

### (f) Legal contingencies

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

### (g) Investment properties and properties held for sale

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated.

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

	2014 RMB'000	2013 RMB'000
Within 1 year	98,598	76,280
After 1 year but within 5 years	405,016	292,142
After 5 years	449,222	486,782
	<b>952,836</b>	855,204

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

### (a) Credit risk

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

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price.

# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The receivable from the Group's largest customer accounted for 17.58% of total trade and other receivables as at 31 December 2014 (2013: 21.21%).

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in Notes 26(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Notes 26(d).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

### (b) Liquidity risk

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

Sunshine 100 Group is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Liquidity risk (Continued)

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

	Contractual undiscounted cash outflow				Total	Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>The Group</b>						
<b>At 31 December 2014</b>						
Loans and borrowings						
– Long-term	7,928,787	4,164,403	3,306,231	626,270	16,025,691	13,647,550
– Short-term	1,233,047	–	–	–	1,233,047	1,193,468
Contract retention payables	159,115	55,786	168,223	–	383,124	383,124
Financial liabilities measured at amortized cost	5,514,290	1,011,783	270,147	–	6,796,220	6,796,220
	<b>14,835,239</b>	<b>5,231,972</b>	<b>3,744,601</b>	<b>626,270</b>	<b>24,438,082</b>	<b>22,020,362</b>
<b>At 31 December 2013</b>						
Loans and borrowings						
– Long-term	3,614,297	7,138,884	2,423,136	196,351	13,372,668	11,499,575
– Short-term	2,348,668	–	–	–	2,348,668	2,302,462
Contract retention payables	54,380	113,639	96,073	–	264,092	264,092
Financial liabilities measured at amortized cost	3,613,286	717,959	413,305	–	4,744,550	4,744,550
	<b>9,630,631</b>	<b>7,970,482</b>	<b>2,932,514</b>	<b>196,351</b>	<b>20,729,978</b>	<b>18,810,679</b>

# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Liquidity risk (Continued)

	Contractual undiscounted cash outflow				Total	Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>The Company</b>						
<b>At 31 December 2014</b>						
Loans and borrowings						
– Long-term	167,737	168,196	1,444,720	–	1,780,663	1,279,513
– Short-term	135,704	–	–	–	135,704	135,000
Financial liabilities measured at amortized cost	59,905	–	–	–	59,905	59,905
	<b>363,346</b>	<b>168,196</b>	<b>1,444,720</b>	<b>–</b>	<b>1,976,262</b>	<b>1,474,418</b>
<b>At 31 December 2013</b>						
Loans and borrowings						
– Long-term	466,735	–	–	–	466,735	587,196
– Short-term	1,162,262	–	–	–	1,162,262	1,153,000
Financial liabilities measured at amortized cost	117,911	–	–	–	117,911	117,911
	<b>1,746,908</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,746,908</b>	<b>1,858,107</b>

# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (c) Interest rate risk

The interest rates of the Group's loans and borrowings are disclosed in Note 21(f). The annual interest rates of the Group's deposits at bank ranged from 0.35% to 2.85% as at 31 December 2014 and 2013.

The interest rate profile of the Group's interest-bearing financial instruments was:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Fixed rate instruments</b>				
Loans and borrowings at amortized cost	<b>10,569,938</b>	7,422,584	<b>1,414,513</b>	—
<b>Variable rate instruments</b>				
Loans and borrowings at amortized cost	<b>4,232,835</b>	5,754,972	—	1,153,000

As at 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB3,289,000 (2013: RMB15,079,000), and would increase/decrease the Group's properties under development and completed properties held for sale, investment properties, property and equipment and land development for sale, by approximately RMB37,943,000 (2013: RMB37,444,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet dates. The analysis is performed on the same basis for 2013.

### (d) Currency risk

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

# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (d) Currency risk (Continued)

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

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on cash and cash equivalents denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results.

Included in cash and cash equivalents and loans and borrowings in the consolidated balance sheet and the Company's balance sheet as at 31 December 2014 and 2013, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	The Group		The Company	
	2014 '000	2013 '000	2014 '000	2013 '000
<b>United States Dollars ("USD")</b>				
— Other receivables	96,250	—	96,250	—
— Cash and cash equivalents	48,595	—	48,595	—
— Senior notes	(215,000)	—	(215,000)	—
Net exposure	(70,155)	—	(70,155)	—

5% increase or decrease in USD exchange rate against RMB, assuming such change had occurred as at 31 December 2014, would decrease/increase the Group's profit after tax and retained profits by approximately RMB21,464,000 (2013: RMB nil).

# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (e) Fair values

#### (i) Financial assets and liabilities measured at fair value

##### Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorised into the three level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager who is responsible for engaging external valuers to perform valuations for loans at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Note	The Group		The Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Recurring fair value measurements</b>					
<b>Level 3</b>					
<b>Liabilities</b>					
Loans at fair value					
through profit or loss:					
– Loans from Riverside	21(b)	–	587,196	–	587,196
– Loans from Hangzhou Industrial and Commerce Trust	21(c)	38,245	37,285	–	–
		<b>38,245</b>	<b>624,481</b>	<b>–</b>	<b>587,196</b>



# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (e) Fair values (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

	2014			
	Valuation techniques	Significant unobservable inputs	Range	Weighted average
– Loans from Hangzhou Industrial and Commerce Trust	Binomial Tree model	Expected volatility	23.29% to 62.54%	34.14%

	2013			
	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Loans at fair value through profit or loss				
– Loans from Riverside	Discounted cash flow method	Expected volatility	not applicable	not applicable
– Loans from Hangzhou Industrial and Commerce Trust	Binomia Tree model	Expected volatility	27.91% to 68.46%	44.08%

The fair value of Loans from Riverside is determined using discounted cash flow method and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. For the year ended 31 December 2013, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 1% would have no material impact on the Group's net profit.

The fair value of loans from Hangzhou Industrial and Commerce Trust is determined using binomial tree model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. For the years ended 31 December 2014 and 2013, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 1% would have no material impact on the Group's net profit.

# Notes to the Financial Statements

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (e) Fair values (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

##### Information about Level 3 fair value measurements (Continued)

The fair value of all derivative financial instruments is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The methods, key assumptions and variables used are disclosed in Notes 21(b) and 21(c).

During the year, the movement on the balances of level 3 fair value measurements is as follows:

Loans at fair value through profit or loss:

	2014 RMB'000	2013 RMB'000
At 1 January	624,481	933,475
Proceeds	—	15,000
Change in fair value recognized in profit or loss during the year	31,046	76,006
Conversion of loans from Riverside	(358,076)	—
Repayment	(259,206)	(400,000)
At 31 December	38,245	624,481

#### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair value as at 31 December 2014 and 2013.

# Notes to the Financial Statements

## 28 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Advances provided to/(received from)		
– Associates	<b>11,628</b>	169,906
– Entities controlled by the 8 individuals	–	51,016
– Entities under control of Ms. Fan	<b>(58)</b>	(60,929)
– Entities under significant influence of the 8 individuals	<b>4,873</b>	(111,174)
– Entities under control of the key management personnel of the Group	<b>117,319</b>	(78,946)
– Member of the key management personnel of the Group	–	1,804
Repayment of advances (from)/to		
– Associates	<b>(428,936)</b>	133,905
– Entities controlled by the 8 individuals	–	(473,573)
– Entities under control of Ms. Fan	<b>(32,154)</b>	(255,064)
– Entities under significant influence of the 8 individuals	<b>42,763</b>	147,662
– Entities under control of the key management personnel of the Group	–	(78,529)
Loans repaid to		
– Member of the key management personnel of the Group	–	20,000
– Entities under control of Ms. Fan	–	60,000
Interest repaid to		
– An associate	–	677
Interest expense charged by		
– An associate	<b>2,425</b>	2,744
– Member of the key management personnel of the Group	–	1,804
Consideration on disposal of a subsidiary		
– Entity under control of Ms. Fan	–	10,000
Consideration on acquisition of an associate		
– Entities controlled by the 8 individuals	–	300,000

# Notes to the Financial Statements

## 28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties (Continued)

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Consideration on acquisition of a subsidiary		
– Entities under control of the key management personnel of the Group	<b>117,319</b>	–
Consideration prepaid on acquisition of a joint venture		
– Entities under controlled by the 8 individuals	<b>117,312</b>	–
Rental charged by		
– Entity under significant influence of the 8 individuals	<b>7,708</b>	7,083
Property management income charged to		
– Entity under significant influence of the 8 individuals	<b>534</b>	1,501
Late payment penalty reversed by		
– Entity under significant influence of the 8 individuals	–	(21,668)
Rental charged to		
– Entity under control of Ms. Fan	<b>12,200</b>	11,300
– Entity under significant influence of the 8 individuals	<b>2,201</b>	2,401

# Notes to the Financial Statements

## 28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Outstanding balances with related parties

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Amounts due from			
– Associates		<b>20</b>	431,677
– Entities under control of Ms. Fan		–	50,000
	18/(i)/(iii)	<b>20</b>	481,677
Amounts due to			
– Associates		–	11,925
– Entities under control of Ms. Fan		<b>58</b>	17,846
– Entity under significant influence of Mr. Yi Xiaodi		–	39,394
	22/(ii)/(iii)	<b>58</b>	69,165
Loans payable to			
– An associate	21(i)/(iv)	<b>20,817</b>	20,817

Notes:

- (i) The balances as at the balance sheet dates mainly represented the advances provided to related parties.
- (ii) The balances as at the balance sheet dates mainly represented the advances obtained from related parties.
- (iii) The balances were interest-free, unsecured and had no fixed terms of repayment.
- (iv) The loan was borrowed by Chongqing Yuneng 100 from Chongqing Yuneng Wanyi, bearing an interest rate at 10% per annum and had matured on 15 December 2014.

# Notes to the Financial Statements

## 28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (c) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

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

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	17,289	20,354
Contributions to defined contribution retirement plan	367	340
	<b>17,656</b>	20,694

Total remuneration is included in "Staff costs" (see Note 4(b)).

### (d) Other related party transactions

The Group pledged certain investment properties with carrying value of RMB42,419,000 (2013: RMB81,130,000), as collaterals for banking facilities provided to Guangxi Vantone Pharmaceuticals Co., Ltd., an entity under control of Ms. Fan. The pledge period ranged 3 years and will be matured on 26 June 2015.

As at 31 December 2014 and 2013, certain loans were guaranteed by Mr. Yi Xiaodi and Ms. Xu Yunxia (see Note 21(h) (iii)).

### (e) The Listing Rules relating to connected transactions

The related party transactions in respect of consideration on acquisition of a subsidiary from a related party, prepaid consideration on acquisition of a joint venture from a related party, rental charged by a related party, property management income charged to a related party and rental charged to related parties, above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, except for consideration on acquisition of a subsidiary from a related party, prepaid consideration on acquisition of a joint venture from a related party and rental charged to entity under control of Ms. Fan, of which the disclosures required by Chapter 14A of the Listing Rules are provided in section connected transactions of the Reports of the Directors, other related party transactions mentioned above are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

# Notes to the Financial Statements

## 29 ACQUISITION OF SUBSIDIARIES

The Group acquired certain subsidiaries during the year ended 31 December 2014, the following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition dates:

		Guangxi Jingqi	Guilin Sunshine 100	Wuxi Jintao	Other subsidiaries acquired	Total
	Note	'000	'000	'000	'000	'000
Property and equipment	11	1,466	183	468	—	2,117
Properties under development and completed properties held for sale		1,719,709	318,732	396,804	—	2,435,245
Investment properties	12	779,951	—	—	—	779,951
Deferred tax assets	15(b)	18	8	—	—	26
Trade and other receivables		5,660	14,740	6,223	31,885	58,508
Cash and cash equivalents		21,947	44	10,275	4,860	37,126
Trade and other payables		(599,615)	(113,533)	(233,770)	(35,995)	(982,913)
Sales deposits		(811,849)	—	—	—	(811,849)
Loans and borrowings		(296,000)	—	—	—	(296,000)
Deferred tax liabilities	15(b)	(199,613)	(52,575)	—	—	(252,188)
<b>Total identifiable net assets acquired</b>		<b>621,674</b>	<b>167,599</b>	<b>180,000</b>	<b>750</b>	<b>970,023</b>
Non-controlling interests acquired		11,674	—	86,400	(4,903)	93,171
Cash acquired during the year		21,947	44	10,275	4,860	37,126
Cash paid during the year		(311,100)	(117,319)	(50,000)	(750)	(479,169)
Net cash outflow including in the consolidated cash flow statements		(289,153)	(117,275)	(39,725)	4,110	(442,043)

### (a) Guangxi Jingqi

As disclosed in Note 13(xi), Guangxi Jingqi became and was accounted for as a subsidiary of the Group from 3 November 2014.

Guangxi Jingqi and its subsidiaries are project companies which develop Guangxi Yaobu Project and Dongguan Songshan Project, located in the central commercial areas of Liuzhou and Dongguan. Taking control of Guangxi Jingqi will enable the Group to have exposure to this market through local expertise.

# Notes to the Financial Statements

## 29 ACQUISITION OF SUBSIDIARIES (Continued)

### (a) Guangxi Jingqi (Continued)

For the period from 3 November 2014 to 31 December 2014, Guangxi Jingqi contributed revenue of RMB1,103,114,000 and profit of RMB413,618,000 to the Group's results for the year ended 31 December 2014. If the acquisition had occurred on 1 January 2014, management estimates that contributed revenue would have been RMB1,103,114,000, and contributed profit for the year ended 31 December 2014 would have been RMB376,689,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2014.

### (i) Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

<b>Assets acquired</b>	<b>Valuation technique</b>
Property, plant and equipment	<i>Market comparison technique:</i> The valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate.
Property under development and completed properties held for sale	<i>Market comparison technique:</i> The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Investment properties	<i>Market comparison technique:</i> The valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate.



# Notes to the Financial Statements

## 29 ACQUISITION OF SUBSIDIARIES (Continued)

### (a) Guangxi Jingqi (Continued)

#### (ii) Goodwill

No goodwill has been recognized from the acquisition, as presented follows:

	<i>RMB'000</i>
Consideration transferred	311,100
Non-controlling interests, based on their proportionate interest in the recognized amounts of the assets and liabilities	11,674
Fair value of pre-existing interests in Guangxi Jingqi	298,900
Fair value of identifiable net assets	(621,674)
<hr/>	
Goodwill	—

### (b) Guilin Sunshine 100

As disclosed in Note 13(xii), Guilin Sunshine 100 became and was accounted for as a subsidiary of the Group from 4 November 2014.

Guilin Sunshine 100 is a project company which develops Guilin Scape Project. Taking control of Guilin Sunshine 100 will enable the Group to have exposure to this market through local expertise.

For the period from 4 November 2014 to 31 December 2014, Guilin Sunshine 100 contributed revenue of RMB nil and loss of RMB893,000 to the Group's results for the year ended 31 December 2014. If the acquisition had occurred on 1 January 2014, management estimates that consolidated revenue would have been RMB nil, and consolidated loss for the year ended 31 December 2014 would have been RMB143,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2014.

# Notes to the Financial Statements

## 29 ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Guilin Sunshine 100 (Continued)

#### (i) Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property, plant and equipment	<i>Market comparison technique:</i> The valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate.
Property under development and completed properties held for sale	<i>Market comparison technique:</i> The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

#### (ii) Goodwill

No goodwill has been recognized from the acquisition, as presented follows:

	RMB'000
Consideration transferred	117,319
Fair value of pre-existing interests in Guilin Sunshine 100	50,280
Fair value of identifiable net assets	(167,599)
<hr/>	
Goodwill	—

### (c) Wuxi Jintao

As disclosed in Note 13(xiii), Wuxi Jintao became and was accounted for as a subsidiary of the Group from 5 November 2014.

Wuxi Jintao is a major property developer in the market of Yixing, a county of Wuxi City. Taking control of Wuxi Jintao will enable the Group to have exposure to this market through local expertise.

Wuxi Jintao is principally engaged in the property development. The assets acquired and liabilities assumed did not constitute a business as defined in IFRS 3 and, therefore, the acquisitions have been accounted for as assets acquisitions.

# Notes to the Financial Statements

## 30 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

### (a) Land appreciation taxes

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

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

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

As explained in Note 1(n), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

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

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

# Notes to the Financial Statements

## **30 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES** (Continued)

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

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

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

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

### **(d) Impairment for property and equipment**

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

### **(e) Valuation of investment properties**

As described in Note 12(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

# Notes to the Financial Statements

## **30 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES** (Continued)

### **(e) Valuation of investment properties** (Continued)

In determining the fair value, the valuers have taken into consideration the market conditions existed at the balance sheet date or where appropriate, a method of valuation which involves, inter alia, certain estimates including market prices, prevailing market rents for comparable properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the respective balance sheet dates.

### **(f) Impairment for loans and receivables**

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

### **(g) Fair value of financial instruments**

For financial liabilities designated at fair value through profit or loss, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, maturities credit spreads and historical volatilities. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is estimated based on the risk free interest rate plus credit spread of comparable bonds with similar credit rating, coupons and maturities. Where binomial tree techniques are used to generate contingent payoff w.r.t contractual terms to calculate the fair value of derivatives component in risk-neutral environment. Where other pricing models are used, inputs are based on observable market data at each balance sheet date.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

## **31 PARENT AND ULTIMATE HOLDING COMPANY**

As at 31 December 2014, the directors considered that the parent company of the Company is Joywise, a company with limited liability incorporated in the BVI on 8 January 2007. The ultimate holding company is Harvest Well Holding Limited, a company with limited liability incorporated in the BVI on 9 March 2007. These entities do not produce financial statements available for public use.

# Notes to the Financial Statements

## 32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, <i>Defined benefit plans: Employee Contributions</i>	1 July 2014
<i>Annual improvements to IFRSs 2010-2012 cycle</i>	1 July 2014
<i>Annual improvements to IFRSs 2011-2013 cycle</i>	1 July 2014
<i>Annual improvements to IFRSs 2012-2014 cycle</i>	1 January 2016
Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to IAS 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortization</i>	1 January 2016
Amendments to IAS 1, <i>Disclosure initiative</i>	1 January 2016
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
IFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.