合景泰富地產

KWG Property Holding Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 1813

Build Home with Heart

Create Future with Aspiration

| 2014 Annual Report

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Kong Jian Min *(Chairman)*
Mr. Kong Jian Tao
(Chief Executive Officer)
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi

Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo, JP
Mr. Tam Chun Fai
Mr. Li Bin Hai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jian Min
Mr. Tsui Kam Tim

Audit Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Lee Ka Sze, Carmelo, JP
Mr. Li Bin Hai

Remuneration Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Kong Jian Min
Mr. Li Bin Hai

Nomination Committee

Mr. Kong Jian Min *(Chairman)*
Mr. Tam Chun Fai
Mr. Li Bin Hai

Registered Office

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

Principal Place of Business in Hong Kong

Suite 7506, Level 75
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar and Transfer Agent

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

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
China Construction Bank
Corporation
Industrial and Commercial Bank
of China Limited
Bank of China Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank
of China (Asia) Limited
Standard Chartered Bank
(Hong Kong) Limited
Guangzhou Rural Commercial Bank
Co., Ltd.
Shanghai Pudong Development
Bank Co., Ltd.
China Minsheng Banking Corp. Ltd.
China Guangfa Bank Co., Ltd.

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

1813 (Main Board of The Stock
Exchange of Hong Kong Limited)

Corporate Profile

Founded in 1995, KWG Property Holding Limited ("KWG Property" or the "Company", together with its subsidiaries, collectively the "Group") is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1813) in July 2007. Since its establishment, KWG Property has been focusing on the development, sales, and management of high quality properties.

Over the past 20 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, office buildings, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Nanning and Hainan as its hub for South China, Suzhou, Shanghai and Hangzhou for East China, Chengdu for South-west China, Beijing and Tianjin for the Bohai Rim region, as well as Zhengzhou for Central China.

The Group has always adhered to a prudent land bank replenishment strategy. Its current land bank is sufficient for the Group's development in the coming 5 years. The Group will focus on the development of residential properties while seeking deploying more resources for the establishment of a diversified property development portfolio in the future. In order to keep the profit portfolio steady, spread the investment risks and ensure the stable development, the Group will strengthen the residential properties as our main force by implementing a prudent growth strategy, while increasing the proportion of commercial properties, such as offices, hotels and high-end shopping malls, to be held in long-term.

Management Structure of the Group

- emphasis on a cohesive team and collaboration
- clearly-defined division of staff and duties
- nurturing talents and providing internal promotion

Audit Committee

Remuneration Committee

Nomination Committee

Chief Financial Officer

Vice President — *Human Resources Division*

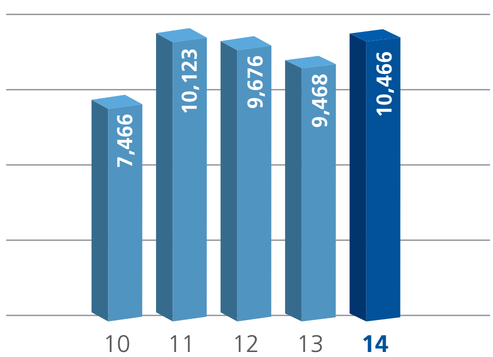
Director — *Operations Management Division*

General Manager — *Finance Resources Division*

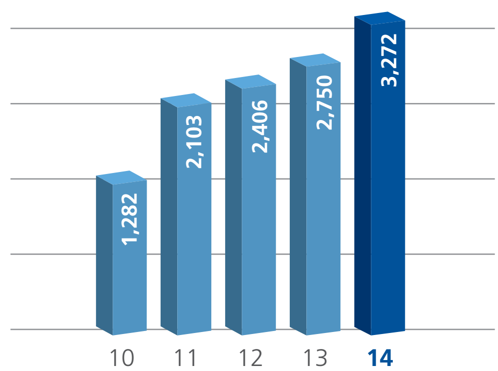
General Manager — *Property Management Division*

FINANCIAL HIGHLIGHTS

Revenue
(in RMB Million)



Profit Attributable to Owners of the Company
(in RMB Million)



	Year Ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS					
Revenue	**10,465,788**	9,468,002	9,676,422	10,122,595	7,465,911
Profit attributable to owners of the Company	**3,272,225**	2,749,769	2,406,368	2,103,368	1,281,772
Earnings per share attributable to owners of the Company (RMB cents) – Basic and diluted	**112**	95	83	73	44
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**71,547,015**	61,590,384	48,864,460	44,586,303	40,034,332
Total liabilities	**51,110,599**	43,748,222	33,511,081	30,893,285	28,440,060

HONOURS AND AWARDS

2014 Awards of the Company / Our Projects

GROUP

	Awarding Institution	Project / Branch
Most Followed Enterprise Among College Students (ChinaHR.com)	ChinaHR.com	KWG Property
Restaurant & Bar Design Award – Best Bar (W Hotel Guangzhou – FEI)	Restaurant & Bar Design Award, London	KWG Property
Asia Bar (W Hotel Guangzhou – FEI)	Restaurant & Bar Design Award, London	KWG Property
Best Community Care Brand of the Year	www.focus.cn	KWG Property
Famous Property Enterprise of the Year in China	Guangzhou Daily	KWG Property
Influential Property Brand of the Year in Guangzhou	Xin Kuai Bao	KWG Property
2014 Chart of Top Property Enterprises in China – Reputable Brand of the Year	Netease House	KWG Property

GUANGZHOU

	Awarding Institution	Project / Branch
2014 Property with Highest Investment Value	Southern Metropolis Daily	The Summit
2014 Exemplary Residential Community in China	Guangzhou Daily	The Summit
2014 Commercial Property in China with Best Growth Potential	Guangzhou Daily	Top of World
2014 Famous Property Enterprise in China	Guangzhou Daily	KWG Property
2014 Best Sales Award	Sohu	The Summit
2014 Best Community Care Award	Sohu	KWG Property

NANNING

	Awarding Institution	Project / Branch
Chart of Popular Properties in China (10th Session) – 2013 Most Expectation-worthy Property in Nanning	Soufun	The Core of Centre
2014 Most Expectation-worthy Property Enterprise Media Award	www.focus.cn	KWG Property
2013 Gold Nugget Award for Real Estate in Guangxi – Award for Promoting Guangxi City	Guangxi Daily Media Group, House Weekly (居周刊), Guilin House (居桂林), Liuzhou House (居柳州), The Real Estate Association of Nanning City, The Real Estate Association of Guilin City, The Real Estate Association of Liuzhou City, Guangxi Radio News 910	KWG Property
2014 Most Expectation-worthy Property	Guangxi Daily Media Group, House Weekly (居周刊), Guilin House (居桂林), Liuzhou House (居柳州), The Real Estate Association of Nanning City, The Real Estate Association of Guilin City, The Real Estate Association of Liuzhou City, Guangxi Radio News 910	The Core of Centre
2014 Most Expectation-worthy Property	house.sina.com.cn Guangxi Branch	The Core of Centre
2014 Most Favourite Listed Property Enterprises of Nanning Citizens	League of Leading Guangxi Media (Guangxi Daily, Nanguo Zaobao, Modern Life Daily, Nanguo Chengbao, 930.bbrtv.com (auto news), Soufun, www.guangxi.news.com.cn, ngzb.gxnews.com.cn, radio.weibo.com/guangxi/fm1074 (traffic news)	KWG Property

HONOURS AND AWARDS

NANNING

	Awarding Institution	Project / Branch
2014 Forces of the Year in the Guangxi Property Market – 2014 Brand for Promoting Guangxi City	Nanning Evening News, Guangxi Radio FM950	KWG Property
2014 Forces of the Year in the Guangxi Property Market – 2014 Benchmark Properties in Wuxiang District	Nanning Evening News, Guangxi Radio FM950	The Core of Centre
2014 Forces of the Year in the Guangxi Property Market – 2014 Landmark Villas	Nanning Evening News, Guangxi Radio FM950	The Core of Centre

CHENGDU

	Awarding Institution	Project / Branch
Top 10 Leading Property Brands in China (Chengdu)	WCC Daily	KWG Property
Special Award for Contributions to the City	Chengdu Home Purchase (成都買房)	Chengdu Cosmos
Media Opinion Award of the League of Real Estate Magazine in China (6th Session) – 2014 Award – Luxury Home with Special Heritage Value	Chengdu Property Market (成都樓市)	Chengdu Cosmos
The 12th Golden Lotus Cup (2014) – Exemplary Property Development with Best Investment of the Year in the Chengdu Property Market	Chengdu Weekly	Chengdu Cosmos

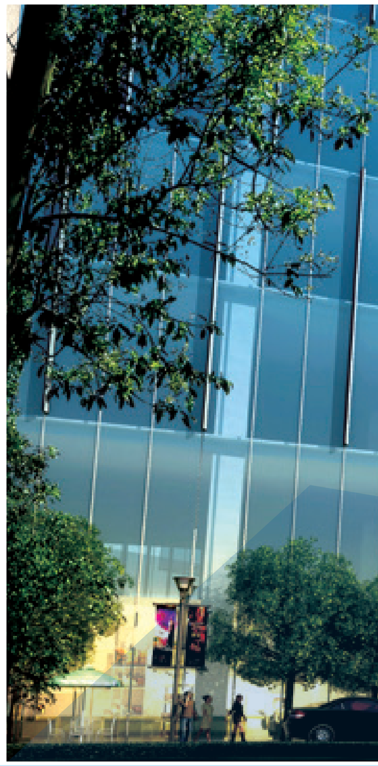
BEIJING

Award	Awarding Institution	Project / Branch
Fine Mansion with Best Value for Purchase	www.focus.cn	Summer Terrace
Villa with Best Value for Property Holding	www.focus.cn	Beijing Apex
2014 Best Brand Value Award	www.sina.com.cn	Beijing Apex
Property Development with Best Value for Purchase in the Region	www.focus.cn	Beijing Apex
Best Resident-friendly Exemplary Villa Award	www.focus.cn	Fragrant Seasons
Best-selling Property Development in the Region	www.focus.cn	Fragrant Seasons

SUZHOU

Award	Awarding Institution	Project / Branch
Donation Certificate	Yingcai School, Xiangcheng District, Suzhou	KWG Property
2014 Charity Enterprise with Donations for Education	Guoxiang Jiedao CPC Work Committee	KWG Property
2014 Most Influential Property Development in Suzhou	Suzhou Broadcasting Station	The Sapphire
2014 Exemplary Resident-friendly Property Development in the New Shuanghu Ecological Community	Suzhou Daily Newspaper Group	Suzhou Emerald

CHAIRMAN'S STATEMENT



Dear Shareholders:

I am pleased to present the annual results of the Group for the year ended 31 December 2014. For the year under review, the Group recorded total revenue of approximately RMB10,466 million. Profit attributable to owners of the Company was approximately RMB3,272 million, representing an increase of 19.0% from the same period of the previous year. Earnings per share attributable to owners of the Company amounted to RMB112 cents.

1) Expanding sales channels to accelerate sell-through

China's property market entered a correctional phase in 2014, as local cities and regions consistently reported high levels of housing inventories, compounded with a notable decrease in the growth of property investment. The Central Government sought to stimulate housing demand through implementing multiple regulatory measures, such as the adjustment of monetary policies, reform of the household registration system and relaxation of home purchase restrictions and mortgage rulings, and etc, to expedite the destocking process and drive the transformation of the property market.

During the year, the Group sought to expedite sales via a variety of new channels, in addition to solely relying on the traditional external sales agent.

First of all, the Group endeavoured to enlarge its potential customer base through online service provider platforms, which were launched in a number of projects in Guangzhou, Chengdu, Beijing, Shanghai, Suzhou, Hangzhou and Nanning. Through those platforms, the Group offered latest happenings on the projects to potential buyers in a timely manner and organised group visits to project sites to increase foot flow. For example, we worked with Soufun and Netease to post project information online for The Summit and Guangzhou Top of World, and organised offline visits and purchases. These efforts, coupled with relevant discount offers, have driven remarkable sales growth.

Meanwhile, the Group offered latest project information and enabled interactive customer activities through its WeChat public account and WeChat sales brochures for a number of projects. For example, detailed information such as sales updates, product offerings and location of Nanning

Core of Center were provided through the project's WeChat public account, where potential customers could search information with ease and have first-hand knowledge of actual project updates. Rewards and coupons were also offered to incentivize potential customers.

In terms of payment method, the Group introduced favourable terms such as provident-fund mortgage and down-payment by multiple installments, in addition to one-off payment and bank mortgages. These offerings have provided buyers with more flexibility to alleviate their funding pressure, thereby driving sales.

2) Asserted efforts in product diversification and cost standardisation to weather a changing market

The Group tackled market challenges by offering a diverse range of developments and designing suitable product types for different localities, with a view to capping total unit cost and meeting buyers' requirements.

During the year, the Group launched products with a gross floor area ("GFA") ranging from 80 to 110 sq.m., designed to meet first-time and upgrading residential needs, in Shanghai, Beijing, Guangzhou and Hangzhou, etc. Meanwhile, to distinguish itself from competition, the Group also made timely launches of low-density duplex units and villas that readily differentiate themselves from comparable projects in nearby area. For example, villas in Guangzhou Top of World launched in April this year were sold out shortly after its debut, thanks to reasonable pricing and practical designs. The 180-sq.m. villas of Nanning Core of Center, launched in July, claimed a 100% sell-through ratio given the scarcity of villas in the neighbourhood.

At the same time, the Group made further efforts to improve product standardisation to more sophisticated levels, starting with the renovation of sales centres and show flats. A number of trial projects were rolled across the nation with positive feedbacks. Towards the end of the year, the KWG Pavilion was opened in Hangzhou to show standardised unit designs and fittings of various products, which served as a benchmark for other projects, also to appeal to customers.

3) Persistence in maintaining product quality and protecting profit margin

In 2014, a large number of developers in China adjusted selling prices in different regions in tandem with the down cycle of the market, to boost volume and speed up sell-through with price discounts. Amid market doldrums, the Group remained calm, with a firm belief that only high stance in quality and sound profit margin would assure long-term, stable development of a company. As a result, the Group improved cost management, expedited construction progress and enhanced product quality control by developing a full range of product standards and exerting stringent control over the procurement and consumption of raw materials. Meanwhile, the Group also offered promotional discounts and minor pricing adjustments within reasonable ranges in selected regions or drove sales through other manners without resorting to substantial price cut, with the pre-condition being the subject project fulfills its predetermined profitability requirement.

4) Stepping up preparations of commercial projects to lay a solid foundation for long-term investment property

The Group believes that possessing a diversified portfolio of investment properties is essential for its long-term development. Investment property can serve to divert operational risks and generate stable, long-term income. At the same time, the development of an investment property and the accretion of its market value will drive the gentrification of the area as well as the value growth of neighbouring projects.

During the year, the Group actively started preliminary preparations for commercial projects. We studied and explored various approaches for shopping mall and office management, especially in connection with the operation of shopping malls, in order to create malls that would bring unique experiences to customers. Unlike traditional malls in the market, shopping malls built by the Group will feature customized architecture that showcase exquisite quality to customers with local touch and flair. Examples include Tian Hui Plaza, a refined lifestyle centre for the fashionable and high-worth population in the heart of Pearl River New Town, Guangzhou, and U Fun, a leisure ground built in Xinjiangwan, Shanghai in integration with a green land belt of the city.

5) Extensive funding channels to further lower financing costs

The Group continued to follow a prudent finance strategy during the year and adopted a wide range of financing approaches with a view to optimising its debt structure and further lowering financing costs. The Group maintained sound business relationships with domestic banks and secured development loans at reasonable interest rates. In addition, the Group also closely monitored developments in the capital markets to capture potential corporate financing opportunities. We successfully issued two tranches of US Dollar notes at reasonable coupon levels in January and August, respectively, and the proceeds were applied to redeem US Dollars notes issued in previous years at higher costs, effectively lowering overall financing costs.

To assure sufficient funding, the Group also secured a syndicated loan in Hong Kong in November to further broaden its financing options off-shore.

6) Prudent land acquisition strategy calling for well-timed replenishments

The Group persists in a prudent land acquisition strategy and controls the pace of land purchases with a stringent profitability requirement. The first half of the year represented a good time for acquiring good sites, as the land market was quiet with fewer competitors and prices were more reasonable. The Group achieved discount-to-market prices as it acquired premium sites during a down cycle by land auctions in first- and second-tier cities. Meanwhile, the Group also acquired centrally located sites in first-tier cities through merger and acquisitions with third-party developers. For example, the Group acquired a number of sites with very little premium in Tongzhou of Beijing, Nanning Wuxiang New District and the Future Science City of Hangzhou, which are the core areas of future urban development. At city center of Guangzhou, such as Pazhou and Guangzhou Finance City, the Group was engaged in joint development projects through equity cooperation with other local developers.

As the land market regained momentum in the second half of the year and competition became more intense, the Group adjusted its land strategy in a timely manner to slow down its pace of land acquisition for a more prudent approach. Towards the end of the year, the Group debuted in Zhengzhou to explore the Northern China market. The Group believes that premium land resources will provide strong driving force and support the Group's development in the coming years.

7) Outlook

Looking forward to 2015, the property market is expected to continue to develop in a stable and healthy manner with market-driven corrections. 2015 will mark the end to the era of astounding growth in prices and volume in the property market. In line with the direction of diminishing administrative intervention, the property sector is expected to be increasingly aligned with the market economy with growing competition. With the gap between regions and cities further widening, differentiated sales volumes among cities are expected to become a common scene in 2015. At this stage, the Group's focus is to ensure sufficient cash flow, expedite inventory turnover and optimise product positioning.

In 2015, the Group will launch approximately 10 brand new projects in Guangzhou, Hangzhou, Tianjin, Nanning and Beijing. We will offer a wide range of products according to market needs, most of which will be units meeting first-time and upgrading buyer demands, which are expected to make meaningful contribution to the Group's pre-sales. As market sentiment gradually improves, the Group will continue with a prudent pace of land acquisition and adopt flexible sales strategies and pricing approaches, speeding up sales and inventory turnover for fast cash collection to ensure sufficient funds for development.

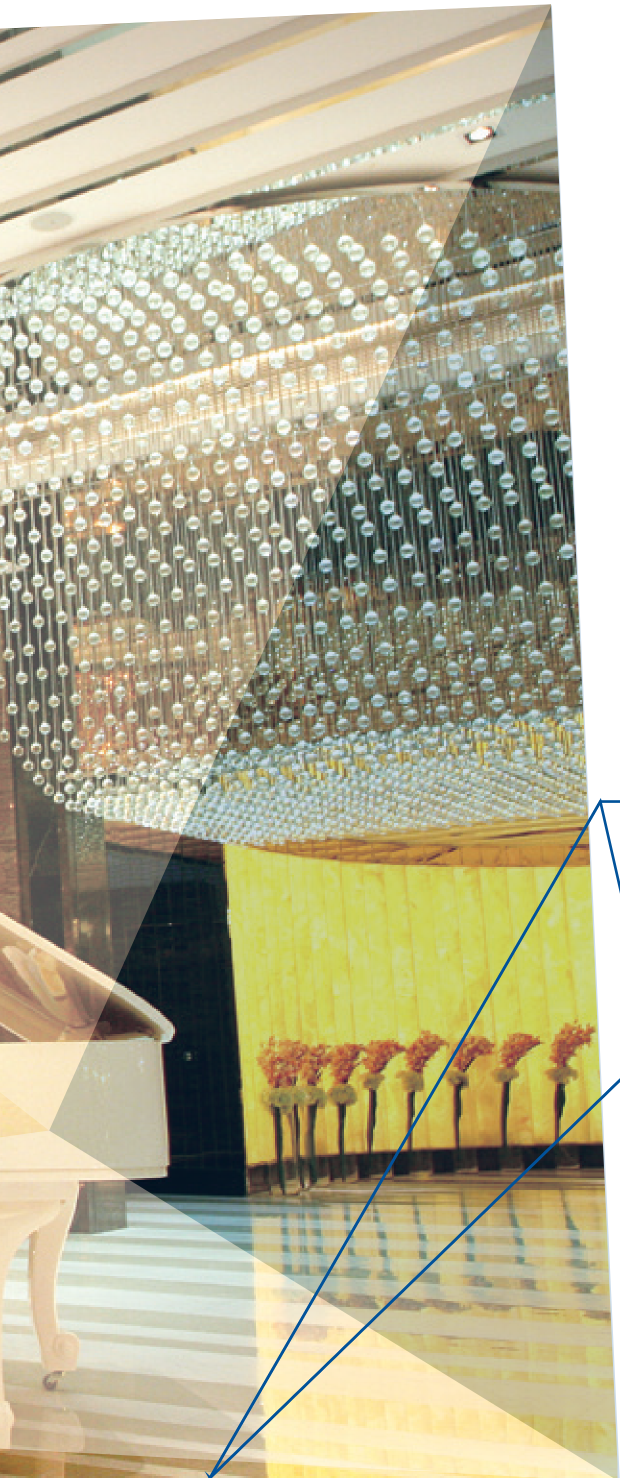
In 2015, the Group will operate under a diversified business model with a continued focus on property development complemented by hotels, offices and the introduction of shopping malls. Coupled with outstanding, attentive services, we are poised to further enhance our brand reputation on the back of approval and recognition by customers and the market.

8) Appreciation

On behalf of the Group, I would like to extend grateful appreciation to all shareholders, investors, partners and customers for their longstanding support and trust. I must also thank our Directors, management and staff, who have worked and grown together with the Group, for their hard work and dedication over the years. The Group firmly believes that it will continue to work hand in hand with its shareholders in the future path of development to build home with heart and unveil glorious new chapters of success.

Kong Jian Min
Chairman

23 March 2015



Management Discussion And Analysis

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax, from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development, property investment, hotel operation and provision of property management services.

The revenue amounted to approximately RMB10,465.8 million in 2014, representing an increase of 10.5% from approximately RMB9,468.0 million in 2013.

In 2014, the revenue generated from property development, property investment, hotel operation and property management services were approximately RMB9,770.4 million, RMB147.0 million, RMB332.2 million and RMB216.2 million, respectively.

Property development

Revenue generated from property development increased by 8.8% to approximately RMB9,770.4 million in 2014 from approximately RMB8,976.9 million in 2013, primarily due to an increase in the recognised average selling price ("ASP") to RMB11,563 per sq.m. from RMB9,582 per sq.m. in 2013.

The increase in the recognised ASP was principally attributable to the increase in the delivery of high-end properties with higher ASP in 2014. In addition, during 2013, due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe Property Development Limited ("Guangzhou Lihe") to the ex-owner of The Summit in Guangzhou with relatively lower ASP, the overall ASP was at a relatively lower level. The effect of increase in recognised ASP is partially offset by a decrease in the total gross floor area delivered to 844,938 sq.m. in 2014 from 936,869 sq.m. in 2013.

Property investment

Revenue generated from the property investment slightly increased by 1.6% to approximately RMB147.0 million in 2014 from approximately RMB144.7 million in 2013.

Hotel operation

Revenue generated from hotel operation increased by 63.6% to approximately RMB332.2 million in 2014 from approximately RMB203.1 million in 2013, primarily attributable to 2014 being the first full operating year for our W Hotel in Guangzhou.

Provision of property management services

Revenue generated from the provision of property management services increased by 50.9% to approximately RMB216.2 million in 2014 from approximately RMB143.3 million in 2013, primarily attributable to an increase in the number of properties under management.

Cost of sales

Cost of sales of the Group primarily represents the costs we incur directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales increased by 11.8% to approximately RMB6,748.2 million in 2014 from approximately RMB6,036.0 million in 2013.

Land cost per sq.m. increased from RMB1,907 in 2013 to RMB2,604 in 2014, reflecting the sales of high-end properties with higher ASP and land costs. During 2013, mainly due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe to the ex-owner of The Summit in Guangzhou with

relatively lower land cost per sq.m., the overall land cost per sq.m. was at a relatively lower level.

Construction cost per sq.m. slightly increased from RMB3,875 in 2013 to RMB3,964 in 2014.

Gross profit

Gross profit of the Group increased by 8.3% to approximately RMB3,717.6 million in 2014 from approximately RMB3,432.0 million in 2013. The increase of gross profit was principally due to the increase in the total revenue and recognised ASP in 2014. The Group reported a gross profit margin of 35.5% for 2014 as compared with 36.2% for 2013.

Other income and gains, net

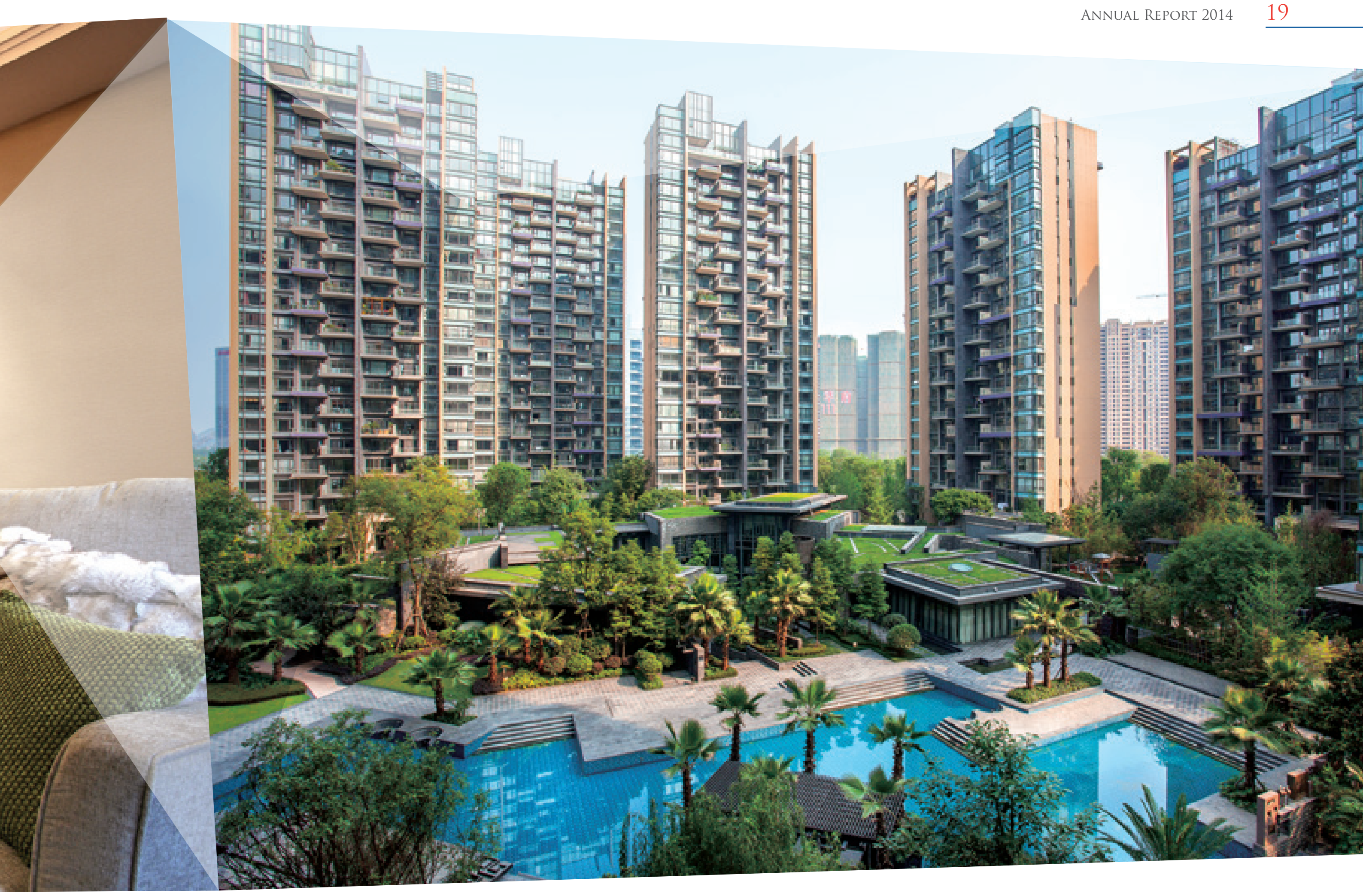
Other income and gains increased by 30.5% to approximately RMB98.3 million in 2014 from approximately RMB75.3 million in 2013, mainly comprising interest income of approximately RMB48.2 million.

Selling and marketing expenses

Selling and marketing expenses of the Group increased by 14.3% to approximately RMB298.5 million in 2014 from approximately RMB261.1 million in 2013, mainly due to an increase in advertising for our projects, such as Vision of the World in Shanghai, Moon Bay Project in Hainan, and the Summit and Global Metropolitan Plaza in Guangzhou.

Administrative expenses

Administrative expenses of the Group increased by 5.5% to approximately RMB794.2 million in 2014 from approximately RMB753.0 million in 2013, primarily attributable to the launch of our Hangzhou office and Tianjin office in October 2013 and December 2013, respectively.



Other operating expenses, net

Other operating expenses of the Group was approximately RMB313.0 million in 2014 (2013: approximately RMB0.9 million), mainly comprising premium paid on early redemption of senior notes.

Fair value gains on investment properties, net

The Group reported fair value gains on investment properties of approximately RMB699.1 million for 2014 (2013: approximately RMB541.5 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including International Finance Place ("IFP") and Global Metropolitan Plaza, were approximately RMB592.8 million for 2014. Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss. Such gains were mainly contributed by Tian Hui Plaza in Guangzhou.

Finance costs

Finance costs of the Group being approximately RMB6.1 million in 2014 (2013: approximately RMB214.3 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income tax expenses

Income tax expenses increased by 44.3% to approximately RMB1,377.4 million in 2014 from approximately RMB954.6 million in 2013, primarily due to an increase in the provision for LAT on the properties delivered in 2014.

Profit for the year

The Group reported profit for the year of approximately RMB3,268.1 million for 2014 (2013: approximately RMB2,749.3 million). Net profit margin increased to 31.2% for 2014 from 29.0% for 2013, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2014, the carrying amounts of the Group's cash and bank balances were approximately RMB10,871.1 million (31 December 2013: approximately RMB10,858.7 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2014, the carrying amount of the restricted cash was approximately RMB776.9 million (31 December 2013: approximately RMB1,444.2 million).

Borrowings and charges on the Group's assets

As at 31 December 2014, the Group's bank and other loans and senior notes were approximately RMB14,470.2 million and RMB10,042.9 million respectively. Amongst the bank and other loans, approximately RMB3,465.3 million will be repayable within 1 year, approximately RMB8,267.2 million will be repayable between 2 and 5 years and approximately RMB2,737.7 million will be repayable over 5 years. Amongst the senior notes, approximately RMB8,446.7 million will be repayable between 2 and 5 years and approximately RMB1,596.2 million will be repayable over 5 years.

As at 31 December 2014, the Group's bank and other loans of approximately RMB13,470.2 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB19,533.2 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK$579.0 million and US$13.4 million as at 31 December 2014 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB3,149.9 million which were charged at fixed interest rates as at 31 December 2014. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2014.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2014, the gearing ratio was 66.8% (31 December 2013: 56.3%).

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenues and expenses are measured in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2014, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2014, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,103.2 million (31 December 2013: approximately RMB4,846.4 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2014 and 2013 for the guarantees.

(ii) As at 31 December 2014 and 2013, the Group had provided guarantees in respect of certain bank loans for joint ventures.

(iii) As at 31 December 2014 and 2013, the Group had provided a guarantee in respect of a bank loan for an associate.

Employees and Emolument Policies

As at 31 December 2014, the Group employed a total of approximately 5,100 employees. The total staff costs incurred was approximately RMB533.6 million during the financial year ended 31 December 2014. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the year ended 31 December 2014, total of 954,000 share options were cancelled and a total of 4,775,000 share options were lapsed. No share options were granted or exercised as at the date of approval of this annual report. Details of share option movement for the year ended 31 December 2014 are stated in page 54 of this annual report.

Market Review

China's property market underwent a downward adjustment period for the first three quarters of 2014, primarily caused by the oversupply and inventory built-up being carried over from the booming market in 2013. As a result, the Central Government promulgated a series of supportive measures since the first quarter to stimulate housing demand amid pessimistic market sentiment, such as lifting of home purchase restrictions in selected cities, relaxation of mortgage rulings and subsidies for first-time buyers. However, affected by tighter bank liquidity and general negative outlook towards housing prices, the policies achieved little success. On 30 September, the People's Bank of China issued "Notice on Further Improving Housing Financial Services", which proposed to set the lower limit of first home mortgage lending rate at 0.7 times of the benchmark lending rate. For those who have already purchased a first home and settled all outstanding mortgage, the first home mortgage policy can be applicable to their further mortgage application. Coupled with loosening of provident fund loans and lowered lending and deposit benchmark rates by the Central Bank, the property market saw a notable upturn, evidenced by increase in transaction volume in the fourth quarter.

During the year, the differentiation between cities and regions began to widen, owing to government policies and regional housing inventories. First-tier cities held stable housing prices as a result of healthier supply and demand. Second-tier cities became increasingly diversified in terms of housing prices and supply, some of which expedited inventory reduction with price cut, while some others showed different levels of price rise because of balance in supply and demand. For third- and fourth-tier cities, housing supply and demand was mostly out of balance due to over-supply and high level of inventory. Properties were offered at discounted prices in order to facilitate destocking.

Business Review

In 2014, the Group added saleable resources in different areas by launching eleven brand new projects in Beijing, Guangzhou, Shanghai, Suzhou, Nanning and Hangzhou, respectively, namely Beijing Apex, La Villa, Rose and Ginkgo Mansion, Foshan Oriental Bund, Guangzhou Top of World, Shanghai Vision of the World, Suzhou Wan Hui Plaza, Nanning Core of Centre, Guangxi Top of World, Hangzhou Jade Garden and Hangzhou La Bali. The Group focused on launching small-size and upgrader unit types to meet market demands. For instance, Vision of the World in Fengxian District, Shanghai, which made its debut in March this year, introduced Loft apartments of 45 sq.m. During the year, leveraging on the strong momentum in Shanghai, the project launched residential units of 90–105 sq.m. and some of 133 sq.m., meeting the need of first-time buyers and upgrading buyers.

Meanwhile, the Group launched duplex units of 140 sq.m. featuring distinctive design in Beijing Apex, as well as ihouse villas of 168–250 sq.m. in The Summit and Top of World in Guangzhou, which suit buyers' preferences. Thanks to outstanding design and reasonable pricing, our products distinguished themselves against other comparable projects in the neighbourhood and received positive feedback from buyers, as proven by impressive sell-through upon opening.

In view of the development of internet and e-commerce, the Group published promotional advertisements for its new and old projects on e-commerce platforms such as soufun.com, house.163.com, house.sina.com.cn, kfw001.com and WeChat official account. Information about special offers was made available on these platforms to increase projects' exposure. To speed up destocking process for old projects, some selective units were offered at discount prices at times, or an overall price adjustment was made through changing the fit-out standard.

For the year ended 31 December 2014, the Group reported an attributable pre-sales amount of approximately RMB20,524.0 million, representing sales contribution from a total of 35 projects.

During the year, to ensure sufficient land bank for future development, the Group followed a prudent land policy, exercised stringent cost control and conducted land purchases in a sensible manner. The Group acquired nine new land parcels in Guangzhou, Hangzhou, Beijing, Nanning and Zhengzhou, respectively. As at 31 December 2014, the Group held a land bank with an attributable GFA of approximately 10.1 million sq.m.

In the first half of the year, while the land market was less competitive, the Group conducted anti-cyclical acquisition of land sites with a focus on first- and second- tier cities with reasonable land premiums and promising development prospects. The Group acquired The More located in the Future Science City in Hangzhou, two land parcels in the core area of Tongzhou Canal of Beijing, and Guangxi Top of World in Wuxiang New District, Nanning through land auctions. At the same time, the Group acquired Rose and Ginkgo Mansion located in Changping District, Beijing, as well as two land parcels located in Pazhou of Guangzhou and Guangzhou Finance City by way of equity cooperation and partook project development with its partners. In the second half of the year, the Group slowed down the pace of land purchase as the land market began to demand higher premium. The Group cooperated with third-party developers to jointly develop The Horizon in Guangzhou, and entered into Zhengzhou, Henan at the year end, establishing a brand new foothold in the city.

To better control development cost and speed up construction progress, the Group continued to improve standardization over the design and furnishing of sales centres, show flats and actual units of both old and newly developed projects in all cities. At the end of the year, the KWG Pavilion was opened in Hangzhou to showcase standard fitted units of 89–127 sq.m. Apart from functioning as the show flats for all of our Hangzhou projects, the KWG Pavilion also served as benchmark for other projects of the Group and symbolized a breakthrough in product standardization. Furthermore, our ERP system was further upgraded during the year to better monitor construction progress and cost management, to ensure high product quality and sound profitability.

In order to have sufficient working capital, the Group accessed a range of different financing channels to better manage funding costs. During the year, the Group maintained healthy business relationships with domestic banks, and secured domestic development loans at favourable rates due to its proven credit history and transparent financials. Meanwhile, the Group closely monitored the developments in offshore capital market. In January and August 2014, the Group successfully issued US$600 million and US$400 million senior notes with 5-year terms at lower coupon rate, both of which were designated to redeem higher interest-rate notes issued in prior years to cut down finance cost. During the year, the Group also secured a syndicated loan in Hong Kong to further optimize its financial structure. As at 31 December 2014, the Group's cash on hand amounted to approximately RMB10,871.1 million.

To ensure long-term growth, the Group proactively started preliminary preparations of commercial projects in Beijing, Shanghai, Suzhou and Chengdu. Such projects distinguish themselves from traditional shopping malls in terms of design, operation and management, integrating local flair and taste to create malls that bring unique experiences to customers. For example, the modern shopping mall planned to be built in the core area of Chongwenmen, Beijing will feature a combination of multipurpose event venues and F&B facilities; the theme shopping mall in Xinjiangwan, Shanghai will be integrated into a green land belt of the city; and the shopping mall in Suzhou will accentuate family leisure activities.

Investment Properties and Hotels

1) *Hotels*

Since the establishment of the first hotel in 2009, the Group has built Four Points by Sheraton Guangzhou, Dongpu, Sheraton Guangzhou Huadu Resort and W Hotel. Benefiting from convenient locations, outstanding hotel management and reputable brand names, the operational capacity of hotels has witnessed year-on-year improvement and returns from hotel investments are also growing.

2) *Completed investment properties available for lease*

Attributing to excellent location, attentive services and pleasant office environment, IFP, one of the major investment properties of the Group, has gained wide recognition from tenants including financial enterprises and Guangzhou headquarters of multinational corporations since its establishment in the Pearl River New Town in 2007, and has secured stable occupancy. As at 31 December 2014, the occupancy rate of IFP stood at 96%. Major tenants included various financial institutions such as China Construction Bank, Standard Chartered Bank, Bank of China, and Consulate General of Italy.

For the year ended 31 December 2014, turnover of the Group from its leasing of office premises and retail properties amounted to approximately RMB147.0 million (2013: approximately RMB144.7 million).

Business Outlook

Looking forward to 2015, the Group expects to launch about ten brand new projects with suitable products in premium locations in cities such as Guangzhou, Hangzhou, Tianjin, Nanning and Beijing. The products will include residential units, villas, serviced apartments and offices based on local market need, most of which will be meeting first-buyer and upgrading demands, such as The Horizon in Guangzhou, Tianjin Boulevard Terrace I&II, The More in Hangzhou and Guangzhou Finance City Project. Meanwhile, the Group will launch new phases of existing projects such as Guangzhou Top of World, The Eden in Guangzhou, Beijing Apex and Hangzhou Jade Garden to replenish saleable resources in a timely manner.

The Group will continue to exercise stringent control over the pace of land acquisition and expedite sales and inventory turnover to achieve higher level of cash collection by adopting flexible sales and pricing strategies. Besides, new additions will be added to the investment properties portfolio, with office projects and shopping malls in Guangzhou, Shanghai, Beijing, Suzhou and Chengdu in the pipeline.

With continuous focus on property development and further expansion into the operation and rental of hotels, offices and shopping malls, the Group believes that it is well-positioned to capitalize on the diversified business model to solidify its foundation and deliver better returns to shareholders.

Overview of the Group's Property Development

As at 31 December 2014, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou and Zhengzhou.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1.	The Summit	Guangzhou	Residential / villas / serviced apartments / office / retail	1,958	100
2.	Global Metropolitan Plaza	Guangzhou	Office / retail	73	50
3.	Tian Hui Plaza (included The Riviera and Top Plaza)	Guangzhou	Serviced apartments / office / hotel / retail	110	33.3
4.	Oriental Bund	Guangzhou	Residential / serviced apartments / office / hotel / retail	560	20
5.	The Regent	Guangzhou	Serviced apartments / office / retail	115	100
6.	Biological Island II	Guangzhou	Office / retail	84	100
7.	Top of World	Guangzhou	Villas / serviced apartments / office / hotel / retail	603	100
8.	The Eden	Guangzhou	Residential / retail	114	50
9.	Zengcheng Gua Lv Lake	Guangzhou	Villas / hotel	43	100
10.	Guangzhou Ta Gang Project	Guangzhou	Residential / villas / retail	344	100
11.	Guangzhou Finance City Project	Guangzhou	Serviced apartments / retail	102	33.3
12.	Guangzhou Pazhou Project	Guangzhou	Office	50	50
13.	The Horizon (formerly called Guangzhou Nansha Project)	Guangzhou	Residential / retail	158	35
14.	IFP	Guangzhou	Office / retail	61	100
15.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100

Management Discussion And Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
16.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
17.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartments	80	100
18.	The Sapphire	Suzhou	Residential / serviced apartments / hotel / retail	118	100
19.	Suzhou Apex	Suzhou	Residential / serviced apartments / hotel / retail	146	90
20.	Suzhou Emerald	Suzhou	Residential / retail	110	100
21.	Leader Plaza	Suzhou	Serviced apartments / office / retail	37	51
22.	Wan Hui Plaza	Suzhou	Office / retail	60	100
23.	Suzhou Jade Garden	Suzhou	Residential / retail	43	100
24.	The Vision of the World	Chengdu	Residential / serviced apartments / retail	12	100
25.	Chengdu Cosmos	Chengdu	Residential / serviced apartments / office / hotel / retail	502	100
26.	Chengdu Sky Ville	Chengdu	Residential / serviced apartments / office / hotel / retail	422	50
27.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments / retail	63	100
28.	La Villa	Beijing	Residential / retail	100	50
29.	Beijing Apex	Beijing	Residential / villas / serviced apartments / office / retail	105	50
30.	Chong Wen Men	Beijing	Retail	16	100
31.	Summer Terrace	Beijing	Residential / villas / retail	27	100
32.	Beijing Tongzhou I	Beijing	Serviced apartments / office / retail	128	100
33.	Beijing Tongzhou II	Beijing	Serviced apartments / office / retail	125	100
34.	Rose and Ginkgo Mansion	Beijing	Residential / villas	69	33
35.	Pearl Coast	Hainan	Villas / residential / hotel	250	100
36.	Moon Bay Project	Hainan	Villas / residential / hotel / retail	454	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
37.	Pudong Project	Shanghai	Office / retail	78	100
38.	The Core of Center	Shanghai	Residential / serviced apartments / office / retail	48	50
39.	Shanghai Apex	Shanghai	Residential / serviced apartments / hotel / retail	71	100
40.	Shanghai Sapphire	Shanghai	Serviced apartments / hotel / retail	109	100
41.	Shanghai Emerald	Shanghai	Residential / retail	10	100
42.	Amazing Bay	Shanghai	Residential / serviced apartments / hotel / office / retail	102	50
43.	Vision of the World	Shanghai	Residential / serviced apartments / retail	236	100
44.	Jinnan New Town	Tianjin	Residential / villas / serviced apartments / retail	654	25
45.	Boulevard Terrace I	Tianjin	Residential / retail	55	100
46.	Boulevard Terrace II	Tianjin	Residential / villas / retail	32	100
47.	The Core of Center	Nanning	Residential / villas / office / retail	568	87
48.	Guangxi International Finance Place	Nanning	Office / retail	62	87
49.	Guangxi Top of World	Nanning	Residential / villas / hotel / retail	486	87
50.	Hangzhou Jade Garden	Hangzhou	Residential	47	100
51.	Hangzhou La Bali (formerly called Hangzhou Science City II)	Hangzhou	Residential / villas	58	100
52.	The More (formerly called Hangzhou Science City III)	Hangzhou	Residential	106	100
53.	The Mulian Hangzhou	Hangzhou	Hotel / retail	18	100
54.	Henan Zhengzhou Project	Zhengzhou	Residential / retail	29	100

Directors and Senior Management's Profile

Director

Executive Directors

Kong Jian Min, aged 47, is the founder of the Group and an executive director and the Chairman of the Company. Mr. Kong is also a member of the remuneration committee and the Chairman of the nomination committee of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. Mr. Kong has over 20 years of experience in property development and investment. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands (the "BVI"), various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Tao, aged 44, is an executive director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 20 years of experience in property development and has been a director of the Group since 1995. Mr. Kong is a brother of Kong Jian Min and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the BVI, various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Nan, aged 49, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Mr. Kong is a brother of Kong Jian Min and Kong Jian Tao. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the BVI and various subsidiaries incorporated in the PRC and three subsidiaries incorporated in Hong Kong.

Li Jian Ming, aged 47, is an executive director of the Company, a vice president of the operations management division and a general manager of the Southern China region of the Group. Mr. Li graduated from South China University of Technology, majoring in industrial and civil construction. Mr. Li joined the Group in 1995 and had held the position of vice president in the engineering management division. He was appointed as an executive director of the Company in June 2007. Currently, Mr. Li is responsible for the internal and regional engineering management, tenders, group procurement and product standardisation of the Group. Save as disclosed above, Mr. Li is also a director of one of the subsidiaries incorporated in the PRC.

Tsui Kam Tim, aged 46, is an executive director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax, risk management including internal control and other finance-related matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in commerce and he is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the Chief Financial Officer and was appointed as an executive director of the Company in November 2007. Saved as disclosed above, Mr. Tsui is also a director of various subsidiaries incorporated in Hong Kong.

He Wei Zhi, aged 47, is an executive director of the Company, a vice president and a general manager of the South-western China region of the Group. Mr. He graduated from Guangzhou University majoring in hotel management. He joined the Group in 1995 and had held the positions of manager and deputy general manager of the sales department. Since his joining of the Group, he has been responsible for project planning, design and sales planning work and the overall operations and management of the South-western China region of the Group, gaining extensive experience in property market. Mr. He was appointed as an executive director of the Company in February 2009 and is mainly responsible for the management of sales planning, product development, design and planning, property management, customer services, strategy, brand and land bank of the Group. Saved as disclosed above, Mr. He is also a director of various subsidiaries incorporated in the PRC.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo JP, aged 54, is an independent non-executive director and a member of the audit committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd and Esprit Holdings Limited; and a non-executive director of Y.T. Realty Group Limited, CSPC Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited, Termbray Industries International (Holdings) Limited and Yugang International Limited, all of which are listed on the Stock Exchange. He was a non-executive director of The Cross-Harbour (Holdings) Limited from September 2004 to December 2012. Mr. Lee has been the chairman of the Listing Committee of the Stock Exchange since 2012 after serving as a deputy chairman and a member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively. He is also a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, a member of the SFC (HKEC Listing) Committee and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

Tam Chun Fai, aged 52, is an independent non-executive director, the Chairman of the audit committee, the Chairman of the remuneration committee and a member of the nomination committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of Chartered Financial Analyst. Mr. Tam has over 29 years of experience in auditing and corporate advisory services as well as financial management and compliance work. He is an executive director, the Chief Financial Officer and the Company Secretary of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and is an independent non-executive director of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange.

Li Bin Hai, aged 65, is an independent non-executive director, a member of each of the remuneration committee, the nomination committee and the audit committee of the Company. He was the former Chairman of Poly Real Estate Group Co., Ltd. ("Poly Real Estate", together with its subsidiaries, the "Poly Real Estate Group"), a company listed on the Shanghai Stock Exchange and retired on 31 May 2010 after 18 years at the helm of Poly Real Estate.

Directors and Senior Management's Profile

Before his retirement, he held various positions within the Poly Real Estate Group, including the general manager of Guangzhou Poly Real Estate Development Corporation, director and deputy general manager of Poly Southern Group Co., Ltd. and chief economist of China Poly Group Corporation.

Senior Management

Luo Xiao Yun, aged 47, is the director of the legal affairs division of the Group and assistant to the Group's Chairman. Ms. Luo joined the Group in November 2009 and is responsible for the overall operations and management of legal affairs. Ms. Luo graduated from Zhongshan University with a bachelor's degree in laws and subsequently was admitted to practise in the PRC as a qualified solicitor. Ms. Luo is a practising solicitor with extensive working experience in financial investment, corporate law and civil and commercial law. Prior to joining the Group, Ms. Luo began her legal career at the Foreign Economic and Trade Cooperation Committee and was a solicitor in other law firms.

Lin Kai Ping, aged 41, is the general manager of property management division of the Group. Ms. Lin joined the Group in April 2004 and was the general manager of Guangzhou Ningjun Property Management Limited. She is now mainly responsible for the Group's property management in China. Ms. Lin graduated from the University of International Business and Economics majoring in administration management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 22 years of extensive working experiences in property management.

Luo Qing, aged 50, is the general manager of the Northern China district of the Group. Mr. Luo graduated from South China University of Technology with a bachelor's degree in architectural engineering and is a registered supervision engineer, possessing extensive experience in project management. Mr. Luo joined the Group in 2001 and was the general manager of the Chengdu office of the Group. He is now mainly responsible for the management and operation of the Northern China district of the Group. Before joining the Group, Mr. Luo was a general manager of a construction supervision company.

Chen Wen De, aged 37, is the general manager of the Eastern China district of the Group. Mr. Chen joined the Group in March 1997 and was project manager, supervisor and the general manager of the Suzhou office. Mr. Chen is mainly responsible for the overall management and operation of the Eastern China district of the Group.

Li Ning, aged 50, is the director of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered architect and senior architecture design engineer. Mr. Li graduated from Murdoch University with a master of business administration. Mr. Li has 26 years of experience in designing large-scaled integrated architecture and operational management.

Chen Guang Chuan, aged 46, is the vice president of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in business administration. Mr. Chen joined the Group in October 2009 and was the general manager of the Hainan office of the Group. He is now mainly responsible for the management of land reserves in China as well as financing management of the Group. Before joining the Group, Mr. Chen was a general manager of a real estate company.

Ou Jian, aged 36, is the general manager of the Central and Southern China district of the Group. Mr. Ou graduated from Guangzhou University majoring in property operation and management. Mr. Ou joined the Group in 2 May 2013 and is primarily responsible for the overall management and operation of the Central and Southern China district of the Group.

Liu Dong Tao, aged 40, is the general manager of the Southwestern China district of the Group. Mr. Liu graduated from South China Agricultural University with a bachelor's degree in Economics. Mr. Liu joined the Group in 19 October 2005 and was the general manager of Chengdu Company of the Group. He is currently primarily responsible for the overall management and operation of the Southwestern China district of the Group.

Xu Wei Guo, aged 40, is the general manager of the Southern China district and the general manager of the Commercial Property Division of the Group. Mr. Xu graduated from Tsing Hua University with a Master's degree in Architecture. Mr. Xu joined the Group in 3 September 2012 and is currently primarily responsible for the overall management and operation of the Southern China district and the Commercial Property Division of the Group. Mr. Xu worked in a sizable property joint venture company before and has more than 10 years of experience in property management.

Corporate Governance Report

Compliance with the Corporate Governance Code

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success. Key practices adopted by the Company on corporate governance are as follows:

- Develop and review the Company's policies and practices on corporate governance
- Review and monitor the training and continuous professional development of directors and senior management
- Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements

The Group strives to attain and maintain effective corporate governance practices and procedures. The Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") throughout the year.

Board of Directors

The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive directors and management of the Company.

As at 31 December 2014, the Board consists of nine members, including six executive directors, Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao (Chief Executive Officer), Mr. Kong Jian Nan, Mr. Li Jian Ming, Mr. Tsui Kam Tim and Mr. He Wei Zhi and three independent non-executive directors, Mr. Lee Ka Sze, Carmelo, JP, Mr. Tam Chun Fai and Mr. Li Bin Hai. On 28 February 2014, Mr. Dai Feng resigned as an independent non-executive director of the Company. Biographical details of the directors are set out on pages 28 to 31. Messrs. Kong Jian Min, Kong Jian Tao and Kong Jian Nan are brothers. Save as disclosed above, there is no family or other material relationship among members of the Board.

All executive directors have entered into service contracts with the Company for a specific term of three years. Under the Articles of Association of the Company (the "Articles of Association"), the Board is empowered to appoint any person as a director to fill the casual vacancy on or as an additional director of the Board. According to the board diversity policy, the Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty and recommendation by the nomination committee (if any).

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed four (before 28 February 2014)/ three (since 28 February 2014) independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive directors have entered into letters of appointment with the Company for a specific term of one year. One third of the directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

All directors, including independent non-executive directors, have given sufficient time and effort to the affairs of the Group. Independent non-executive directors have provided the Board with their diversified expertise, experience and professional advice. The directors come from diverse background with varied expertise in finance, legal and business field. The Board believes that the ratio between executive directors and independent non-executive directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Board also believes that the views and participation of the independent non-executive directors in the Board and committee meetings provides independent judgment on the issues relating to strategy, performance, conflict of interest and management process to ensure that the interests of all shareholders are considered and safeguarded. The Company has maintained an updated list of its directors identifying their roles and functions on websites of the Company and the Stock Exchange. Independent non-executive directors are identified as such in all corporate communications that disclose the names of directors of the Company.

All directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the Company Secretary, who is responsible for providing directors with board papers and related materials. The directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against directors arising out of corporate activities.

During the year of 2014, the Board held four meetings and had two written resolutions. At these Board meetings and through the written resolutions, directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance, the interim result and the annual result. It also reviewed and approved the issuance of US$600 million 8.975% senior notes due 2019 and the resignation of Mr. Dai Feng as an independent non-executive director of the Company. Monthly updates and quarterly management accounts of the Company were provided by the management to the Board members, gave a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable them to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. In addition to Board meetings, the Chairman holds one meeting with independent non-executive directors annually without the presence of executive directors.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2013 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. The audit committee has reviewed with management and external auditors the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2013 and the condensed consolidated interim financial information of the Company for the period ended 30 June 2014. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board.

Through the remuneration committee, the Board has reviewed remuneration policy and remuneration packages of individual executive directors, non-executive directors and members of senior management with reference to the goals and objectives of the Company.

Through the nomination committee, the Board, basing on the board diversity policy, has reviewed the structure, size and composition of the Board, the qualification of re-election of the directors under rotation system, the assessment of the independence of independent non-executive directors.

Corporate Governance Report

Attendances of the individual directors at the Board meetings and the 2013 AGM are set out as follows:

Directors	Board Meetings Attended/ Number of meeting held	Written Resolutions	2013 AGM Attended/ Number of meeting held
Executive Directors			
Kong Jian Min *(Chairman)*	4/4	2/2	1/1
Kong Jian Tao *(Chief Executive Officer)*	4/4	2/2	0/1
Kong Jian Nan	4/4	2/2	0/1
Li Jian Ming	4/4	2/2	0/1
Tsui Kam Tim	4/4	2/2	1/1
He Wei Zhi	4/4	2/2	0/1
Independent Non-Executive Directors			
Lee Ka Sze, Carmelo	4/4	2/2	0/1
Dai Feng*	0/0	2/2	0/0
Li Bin Hai	4/4	2/2	1/1
Tam Chun Fai	4/4	2/2	1/1

* Mr. Dai Feng resigned as an independent non-executive director of the Company on 28 February 2014.

At least 14 days' notice prior to the date of meeting is given to all directors and an agenda together with Board papers are sent to all directors no less than three days before the date of meeting. All directors are given opportunity to include in the agenda any other matter that they would like to discuss in the meeting. With respect to the Board committee meeting, reasonable prior notice is given to all committee members. All directors and committee members of the Board committee are urged to attend the Board meeting and Board committee meeting in person. For the directors and committee members, who are unable to attend the meeting, participation through electronic means will be arranged and available.

Should a director have a potential conflict of interest in a matter being considered in the Board meeting, he will be abstained from voting. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict of interest issues.

The Company Secretary assists the Chairman of the Board in preparation of the agenda for the Board meeting and Board committee meetings and ensures that all applicable rules and regulations regarding the Board meeting are followed. He also prepares and keeps detailed minutes of each Board meeting and Board committee meeting. Within a reasonable time after each meeting, the draft minutes are circulated to all directors or committee members for comments and the final and approved version of minutes are sent to all directors or committee members for their records. Board committees, including the audit committee, nomination committee and remuneration committee, all follow the applicable principles, practices and procedures used in Board meetings.

During the year ended 31 December 2014, the Company has organised a training session on the topic of connected transaction for all the directors of the Company to attend. The Company Secretary maintains records of training attended by the directors and Mr. Tsui Kam Tim, the Company Secretary of the Company, during the year of 2014, has undertaken 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Chairman and Chief Executive Officer

Mr. Kong Jian Min is the Chairman of the Board and Mr. Kong Jian Tao is the Chief Executive Officer of the Company. As disclosed, Messrs. Kong Jian Min and Kong Jian Tao are brothers. Despite their relationship, the divisions of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Kong Jian Min, being the Chairman, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that directors receive in timely manner adequate information which is complete and reliable and that all directors are properly briefed on issues arising at board meetings. The Chairman also encourages directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. Kong Jian Tao, being the Chief Executive Officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

Annual Remuneration Payable to the Members of Senior Management

The annual remuneration of the members of the senior management by band for the year ended 31 December 2014 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	0
1,000,001–2,000,000	8
2,000,001–3,000,000	0
3,000,001–4,000,000	0
4,000,001–5,000,000	1
5,000,001–6,000,000	0
6,000,001–7,000,000	0
7,000,001–8,000,000	0
8,000,001–9,000,000	0

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code for the financial year ended 31 December 2014.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2014 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" contained in this annual report.

Board Committees

The Board has established three board committees, namely audit committee, remuneration committee and nomination committee, to oversee the particular aspect of the Company's affairs. The board committees are provided with sufficient resources to discharge their duties. The written terms of reference of each committee was posted on the HKEx website and the website of the Company.

Audit Committee and Accountability

In compliance with Rule 3.21 of the Listing Rules, an audit committee was established on 11 June 2006 with written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at 31 December 2014, the audit committee comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the Chairman), Mr. Lee Ka Sze, Carmelo, JP, and Mr. Li Bin Hai. Mr. Dai Feng resigned as a member of the audit committee of the Company on 28 February 2014. The audit committee reports to the Board and is delegated by the Board to assess matters related to the financial statements. Under its terms of reference, the audit committee is required to perform and make recommendation to the Board, amongst the others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Groups' financial statements, annual reports, accounts and half-year report;
- reviewing and monitoring the Company's policies and practices on corporate governance and the relevant legal and regulatory requirements and their compliances.

The audit committee held two meetings and all minutes were kept by the Company Secretary. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statement for the year ended 31 December 2013 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the corporate governance code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability. An written resolution was signed on 28 February 2014 regarding to the resignation of Mr. Dai Feng as a member of Audit Committee.

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2014 is set out as follows:

Committee Members	Meetings Attended/ Number of meeting held	Written Resolution
Tam Chun Fai	2/2	1/1
Lee Ka Sze, Carmelo	2/2	1/1
Dai Feng*	0/0	1/1
Li Bin Hai	2/2	1/1

* Mr. Dai Feng resigned as a member of Audit Committee on 28 February 2014.

For the year ended 31 December 2014, the external auditors' remuneration in respect of audit services provided to the Group amounted to RMB4,200,000 and fees for non-audit services amounted to an aggregate amount of approximately RMB1,800,000 (equivalent), being the service charge for the review of financial information. Non-audit services mainly consisted of advisory, review and other reporting services.

Remuneration Committee

The remuneration committee was established with written terms of reference in accordance with the code provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of individual executive directors, non-executive directors and members of senior management to the Board. The remuneration committee consists three members as at 31 December 2014, of which one executive director being Mr. Kong Jian Min and two are independent non-executive directors being Mr. Tam Chun Fai (the Chairman of the remuneration committee) and Mr. Li Bin Hai. Mr. Dai Feng resigned as the Chairman of the remuneration committee of the Company on 28 February 2014. The position of the Chairman of the remuneration committee has taken up by Mr. Tam Chun Fai with effect from the same date. The Board expects the remuneration committee to exercise independent judgment and ensures that executive directors do not participate in the determination of their own remuneration. An written resolution was signed on 28 February 2014 regarding to the resignation of Mr. Dai Feng as a chairman of Remuneration Committee.

One remuneration committee meeting was held on 17 March 2014. It has reviewed and formulated policies in respect of remuneration structure of all directors and senior management of the Company, reviewed the remuneration packages of individual executive directors, non-executive directors and senior management and made recommendations to the Board for its consideration and reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives.

Attendance of individual members of the remuneration committee at meetings for the year ended 31 December 2014 is set out as follows:

Committee Members	Meetings Attended/ Number of meeting held	Written Resolution
Kong Jian Min	1/1	1/1
Tam Chun Fai	1/1	1/1
Dai Feng*	0/0	1/1
Li Bin Hai	1/1	1/1

* Mr. Dai Feng resigned as a chairman of Remuneration Committee on 28 February 2014.

Nomination Committee

The nomination committee was established on 11 June 2007. The nomination committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendation to the Board on selection of candidates for directorships. As at 31 December 2014, the nomination committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Li Bin Hai. Mr. Dai Feng resigned as a member of the nomination committee of the Company on 28 February 2014, of which was adopted by way of written resolution.

One nomination committee meeting was held on 17 March 2014. It has reviewed the structure, size and composition (including skills, knowledge and experience) of the Board; has assessed the independence of independent non-executive directors and the retired directors for re-election; and has reviewed whether every director gives sufficient time and attention to the company's affairs. The aforesaid review and assessment were recommended to the Board. The board diversity policy was adopted. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, length of service, or professional experience. Other than the above factors, the Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Attendance of individual members of the nomination committee at meetings for the year ended 31 December 2014 is set out as follows:

Committee Members	Meetings Attended/ Number of meeting held	Written Resolutions
Kong Jian Min	1/1	1/1
Tam Chun Fai	1/1	1/1
Dai Feng*	0/0	1/1
Li Bin Hai	1/1	1/1

* Mr. Dai Feng was resigned as member of Nomination Committee on 28 February 2014.

Internal Control

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing and monitoring the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organisational structure with clear division lines of responsibility and authority. The day-to-day departmental operations is entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the parameter of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2014. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the audit committee. The Board believes that the existing internal control system is adequate and effective.

Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its shareholders and values every opportunity to communicate with them. The Company has adopted a policy of disclosing clear and relevant information to shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all shareholders by post as requested. The Company has also complied with the Listing Rules by posting announcements, notices, annual reports, interim reports, shareholders' circulars and monthly updates on the websites of the Stock Exchange and the Company (http://en.kwgproperty.com/en/ivr/index.aspx) for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answer session at the meeting allow shareholders to stay informed of the Group's strategies and goals.

In addition to the Chairman of the Board, the Chairman of the Board committees, or in their absence, other members of the respective committees, the auditors of the Company and the Hong Kong legal advisor of the Company, are available to answer any queries that shareholders may have. The Chairman of the annual general meeting will propose separate resolutions for each issue to be considered at the meeting.

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman of the Board. Vote results are released by way of publication of an announcement.

Shareholders' rights

Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles of Association, any one or more members 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 ("EGM Requisitionists") shall at all times have the right, by written requisition sent to the Board or the Secretary of the Company, to require an EGM 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.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong ("Principal Office"), which is presently situated at Suite 7506, 75/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, any may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrar will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the share registrar that the EGM Requisitionists' request is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notices(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations department which contact details are as follows:

Investor Relations Department
KWG Property Holding Limited
Suite 7506, 75/F, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Fax: (852) 2878 7091
Email: ir@kwgproperty.com

Significant changes in the Company's constitutional documents

During the year ended 31 December 2014, there is no any significant change in the constitutional documents of the Company.

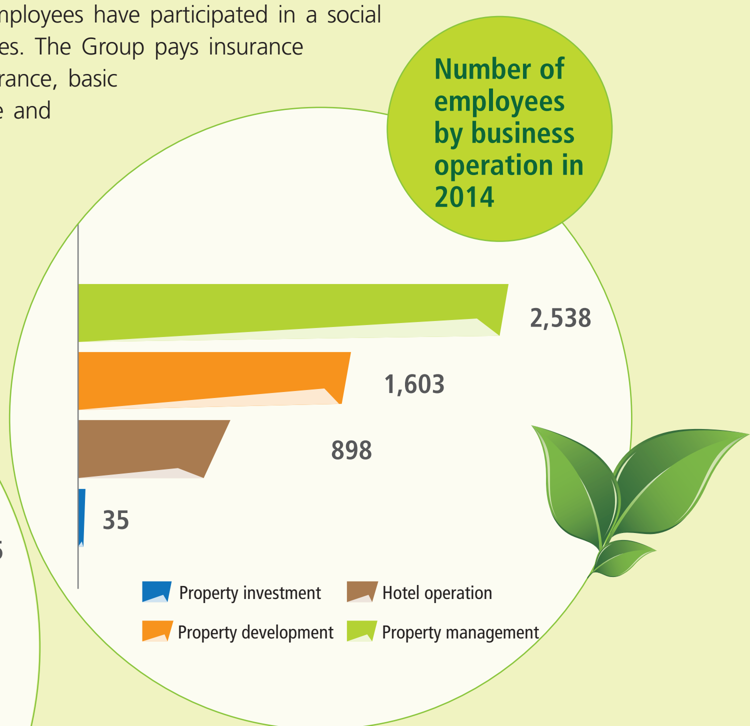
Corporate Social Responsibility Report

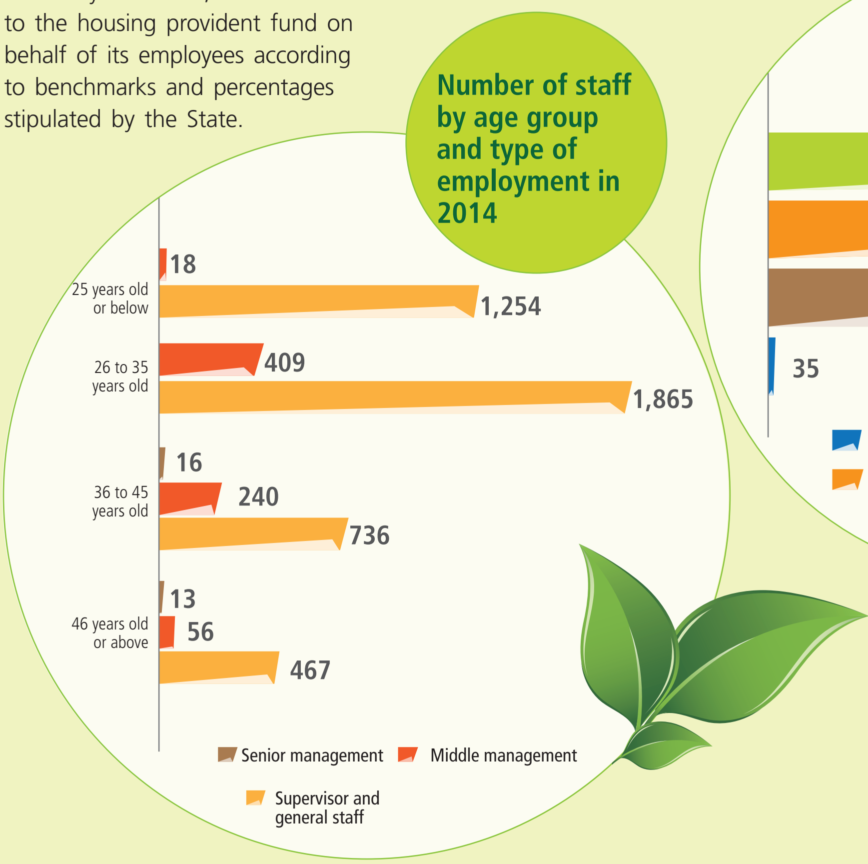
Quality of Work Conditions

Our Work Conditions

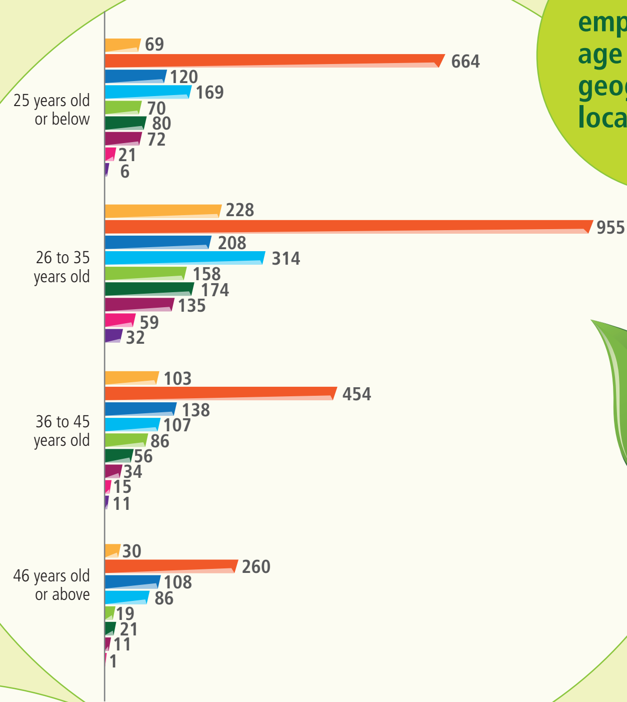
The Group determines employees' remuneration on the basis of their performance, professional experience and prevailing market rates. Employees' remuneration packages include basic salaries and performance-related bonuses. Performance-related bonuses are determined and allocated on the basis of overall assessment against key performance appraisal benchmarks such as the profit amount, sales amount, collected sales amount, key segment completion ratio and finance amount, etc, after a total bonus amount is determined based on the extent to which the Group's profit target is achieved.

In accordance with relevant laws and regulations of China, our employees have participated in a social security regime established and managed by government authorities. The Group pays insurance premiums for social insurance schemes such as basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, as well as contributions to the housing provident fund on behalf of its employees according to benchmarks and percentages stipulated by the State.



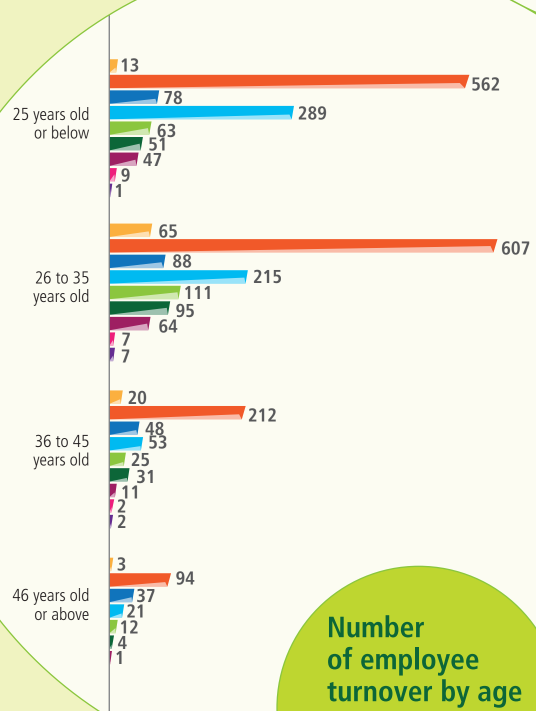


Number of employees by age group and geographical location in 2014



- Guangzhou headquarter and Hong Kong office
- Guangzhou Company
- Chengdu Company
- Suzhou Company
- Shanghai Company
- Beijing Company
- Hainan Company
- Tianjin Company
- Hangzhou Company

Number of employee turnover by age group and geographical location in 2014



Number of work-related deaths of employees in 2014: Nil

Number of work-loss days of employees resulting from work injury in 2014: 846

Development and Training

The Group adopts and implements a policy for human resources conducive to its sustainable development. Under this policy, professional ethics and expertise are important criteria for the employment and promotion of the staff members. Solid measures are being taken to enhance staff training and continuous learning. A rotation and exchange regime has been established to train specific personnel for all-rounded knowledge and skill sets, with a view to constant improvements in staff quality. Career opportunities for existing staff are emphasised when we seek to select outstanding personnel for appointments. The ongoing train-up of managers with high professional standards, passion and commitment remains an important mission for the Group's development.

During the year past, the Group implemented the following training programmes for employees at various levels:

1. *Management Trainee Programme*

The programme was designed for management trainees working in the areas of engineering, design, development, pricing and procurement, operations and finance. The programme was implemented in three stages as follows:

Centralised Training:

In July 2014, the training was primarily on the history, culture and systems of the Company, with detailed introductions of various business departments, so that the trainees will get to understand the basic operations of the Company as soon as practicable. The training included office skills such as the use of the Intranet, as well as specific skills for the property business and general business aptitude, such as business etiquette, time management, career planning and communication skills, etc, in line with the Group's emphasis on training in knowledge of the property business and other general skills.

On-the-Job Training:

Following the period of centralised training, the trainees were assigned to their respective departments from July to November to learn specific skills for the position. Each trainee was given specific duties, which they performed with the guidance of a mentor assigned under the mentorship system. Meanwhile, the mentors reported the progress of the trainees to the departments each month.

Evaluation and Appraisal:

In December, the trainees were subject to evaluation and appraisal. Each trainee reported what he/she had learned during the training period to his/her mentor at the department on an individual basis. The department also conducted a general appraisal to evaluate and appraise the trainees' performance in project internship, on-the-job training and general assessment, which was reported to the Group at the conclusion of the training programme.

2. Enhancement of Financial Management Mindset for Senior Management

To enhance senior management's mastery of our corporate strategies and to help them foster a financial mindset that enables them to understand cost control basics in property project development through critical readings of the financial statements, and to make the right choices in financing and investment to open up a new pathway for the Company in the capital by acquiring knowledge in taxation and the mechanisms of the investment and finance markets necessary for the operation of a property developer, on 11th to 12th September, Ms. Shan Zhemin, a famous speaker for finance courses, was invited to conduct a "Finance Course for Senior Management of the Property Sector" for our senior management members from various regional companies.

3. Training of Project Managers

To further improve the Group's strategic staff training regime, effective staff training programmes are designed to identify, train up and develop talents, so that the Group's management succession team will be further substantiated and stronger assurance for the Group's sustainable development will be afforded in terms of human resources. In June and July 2014, the "KWG Property Project Manager Training Programme" organised by the Group Human Resources Department with the support of various regional companies, was officially launched and conducted in three phases. Twenty-five project managers from the Group office and regional companies participated in this training programme.

4. Training of Top-Class Construction Work Personnel

To support the Group's nationwide strategic development in the coming three years, the building of the project manager succession team was expedited and strengthened to ensure timely availability of personnel with the right calibre, especially as reserve human resources for new regional companies, as well as to train up project managers with a KWG character. The training was focused on the supervision and management of project work quality, inspection and management of raw materials and management of completion of project work segment.

Training provided by the Group for construction work personnel in 2014 included the following:

- One-on-one telephone interviews and communication with reserve human resources for project work to creatively customise a "KWG Training Progress Log" for them, with the aim of fostering the habit of constant review and reflection through the making daily records for the benefit of their performance of daily duties.
- Project work management and sample work demonstration ("Enhanced Group Examination and Control of the End-to-end Design Process" and "Explanation of Project Work Quality Assessment Methods") were taught at the site of Top of World.

CORPORATE SOCIAL RESPONSIBILITY REPORT

- Three courses were offered: "Findings and Rectification Requirements in Key Audits of the Risk Control Department", "Key Points in End-to-end Control of Project Construction" and "Cost Control Measures".
- Visits to 3 projects of KWG Property Shanghai: Shanghai Apex, Shanghai Emerald and Shanghai Sapphire.
- Visits to Langxiang Garden (大華朗香花園) of Dahua (Group) Co., Limited, Yanlord Land Sunland Gardens (仁恆森蘭雅苑) of Yanlord Land Group Limited, a Singaporean company, and Jasmine Residence (保利茉莉公館) of Poly Real Estate, an industry leader.

5. *Marketing Team Building*

With a view to enhancing understanding of the Company's marketing philosophy on the part of regional marketing personnel, powerful support and assistance for future work is offered to facilitate sharing of business experience and help resolve practical issues in work, apart from conducting programmes that enrich knowledge in general. In 2014, the Group arranged a number of internal sharing session and special seminars on marketing for the marketing teams, while arranging visits to Chengdu Sky Ville and Chengdu Cosmos of KWG Property for marketing personnel, who attended lessons on marketing at the site.

6. *Regular Staff Training*

a. Compulsory online courses for employees at junior, intermediary or senior levels were offered through KWG Online Commercial Academy on a quarterly basis, and each employee was required to take one course at his/her level.

b. Seminars and training courses of various types and topics were provided to the employees, such as refined management of the end-to-end property development process, field tactics for land acquisition and property design and project work management training camps under the category of special skills, as well as business negotiations and business writing based on the pyramid principle under the category of general aptitude.

c. The Group has been running the ERP system developed by Mysoft since 2008, with a view to integrating advanced management concepts and practical process flow models into its IT system for the in-depth amalgamation of management, IT and business.

The system facilitates business undertaking and supplementary management through the use of information technology and acts as a protective platform that effectively supports the efficient construction of the process of strategic execution, management execution through desktop strategic execution by a property development company.

Currently, the system is applied by the Group mainly in the areas of project cost management, schedule management, invitation and submission of purchase tenders, sales management and customer service.

To procure uniform running of the ERP system at the Group and the regional companies and avoid risks arising from operational errors, and with a view to improving the system application standard of all users of the Group and the regional companies, the "Guidelines for Certification of ERP System Qualifications" was approved by the Company's senior management.

The Group's department of human resources and department of operations and management continued to conduct training sessions and examinations for the certification of qualifications of the ERP sales management system, cost management system and purchase tender management system at the regional companies in China in 2014. Currently, "ERP System Training — Sales Management System Training,""ERP System Training — Cost Management System Training" and "ERP System Training — Purchase Tender Management System Training" have been launched, while the ERP sales management system qualification examination has also been held to provide certification of employees' skills.

Labour conventions

The Group stipulates employees' working hours and holidays in accordance with PRC and/or Hong Kong laws and regulations. We also enter into employment contracts with our staff members and resolve any labour disputes in accordance with the laws.

Community Involvement

The "100 Art Libraries for China" Project

The "KWG Art Library" project was officially launched in 2013 to promote our culture of ART@KWG to children in rural districts. During 2013, KWG established libraries for 4 rural primary schools, including to Lanma Primary School and Mintang Primary School in Huaiji County and Heli Primary School and Longxing Jiufeng Primary School in Yibin.

In March 2014, the KWG Art Library Charity Team established libraries for Xiangshui Tiandang Hope School in Xiangshui (a small county in Northern Jiangsu) and Zhangji Minzhu Hope School (located in an impoverished rural area designated for special aid by Jiangsu Provincial Department for Human Resources and Social Security).

Xiangshui Tiandang Hope School

Zhangji Minzhu Hope School

CORPORATE SOCIAL RESPONSIBILITY REPORT

To help the children of workers from other provinces to do better in their studies and development, donations of projectors, basketball stands and books were made to Yingcai School (a school for children of workers from other provinces in Xiangcheng District, Suzhou) in May 2014, in a joint effort by the Propaganda Division of Xiangcheng District Committee, Xiangcheng District Cultural and Sports Bureau, the Group and Suzhou Hejing Real Estate Development Limited (蘇州市合景房地產開發有限公司). Meanwhile, the 7th KWG Art Library was established.

Yingcai School, Xiangcheng District, Suzhou

In October 2014, the KWG Art Library Charity Team reached out to 2 rural primary schools in Zhaoqing and Heyuan, establishing the 8th and the 9th KWG Art Libraries in China in a joint effort.

Zhaoqing Nanfeng Houcun Primary School

Changyang Campus, Beijing Primary School

Beijing Mingyuan School

On the 13th and 14th of October 2014, KWG volunteers and owners of KWG-developed properties came to 2 primary schools in Fangshan District and Daxing District, respectively, in Beijing, and established the 10th and the 11th KWG Art Libraries in China in an joint effort.

As of now, 11 art libraries at rural primary schools have been successfully established under the KWG Art Library project, although there is still a lot to be done for KWG to complete its mission of constructing 100 art libraries at rural primary schools across the nation. The KWG Art Library project will continue to progress, as we seek to bring hope by spreading the seeds of knowledge in more places that call for our help.

Charitable Donations

In ongoing fulfilment of its undertaking, KWG Property completed the capital investment in and establishment of "KWG – Jinan University Education Foundation" during the year, which was started in October 2010 for the purpose of funding the establishment and operation of the University's Good Teachers for Schools Education Development Project and the Strategic Research Institute for the Property Market.

Report of the Directors

The directors are pleased to present their report and the audited financial statements for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 59 to 146.

The Board of the Company has proposed the payment of a final scrip dividend (with a cash option) of RMB33 cents per ordinary share for the year ended 31 December 2014. The proposed final scrip dividend (with a cash option) if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 28 July 2015 to the shareholders on the Register of Members on 16 June 2015.

Summary Financial Information

A financial summary of the Group is set out on page 148. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 147.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 20 to the financial statements. Further details of the Group's major properties under development are set out on page 147.

Completed Properties Held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 21 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 147.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 31 and 32 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with Articles 146 of the Articles of Association of the Company, amounted to approximately RMB7,088,284,000, of which approximately RMB972,258,000 has been proposed as a final dividend for the year.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB3,258,000.

Major Customers and Suppliers

For the year ended 31 December 2014, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payments attributable to the Group's largest contractor and five largest contractors amounted to approximately 14.0% and 31.5% respectively, of the total payments under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 16.3% and 33.4% respectively, of the total purchases for the year.

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

Directors

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

Executive Directors:

Mr. Kong Jian Min *(Chairman)*
Mr. Kong Jian Tao *(Chief Executive Officer)*
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi

Independent Non-executive Directors:

Mr. Lee Ka Sze, Carmelo, JP
Mr. Tam Chum Fai
Mr. Li Bin Hai

Mr. Dai Feng resigned as an independent non-executive director of the Company as at 28 February 2014.

In accordance with Articles 86(3), 87(1) and 87(2) of the Company's articles of association, Messrs. Kong Jian Nan, Li Jian Ming and Lee Ka Sze, Carmelo, JP will retire from office as executive director(s) or independent non-executive director of the Company by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for a period of one year.

The Company has received annual confirmations of independence from Messrs. Lee Ka Sze, Carmelo, JP, Tam Chun Fai and Li Bin Hai, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographical Details

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 28 to 31 of the annual report.

Changes in Information of Directors

Pursuant to Rule 13.51 (B) of the Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules during the course of the directors' term of office. The changes of information on directors are as follows:

(1) Mr. Dai Feng resigned as an independent non-executive director of the Company, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee. The position of the chairman of the remuneration committee had be taken up by Mr. Tam Chun Fai with effect from the same date on 28 February 2014.

(2) Mr. Dai Feng resigned as an independent non-executive director of Guangzhou R&F Properties Co., Ltd. on 28 February 2014.

Directors' Service Contracts

Each of Messrs. Kong Jian Min, Kong Jian Tao, Kong Jian Nan, Li Jian Ming, Tsui Kam Tim and He Wei Zhi has a service contract with the Company for a term of three years and each of these service contracts is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive director has entered into a letter of appointment with the Company for a term of one year and is subject to termination by either party giving not less than three months' written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The directors' emoluments are subject to the recommendations of the remuneration committee and the Board's approval. The emoluments are determined by the Board with reference to directors' duties, responsibilities and performances and the results of the Group.

Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares

As at 31 December 2014, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows or as disclosed under the section headed "Share Option Scheme" on page 54:

Long positions in ordinary shares of the Company:

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long Position	Interest of controlled corporations	1,776,156,589	60.29%
Kong Jian Tao (Notes 2, 3 and 5)	Long Position	Interest of controlled corporations	1,713,914,589	58.17%
Kong Jian Nan (Notes 2 and 3)	Long Position	Interest of controlled corporations	1,712,914,589	58.14%
He Wei Zhi (Note 6)	Long Position	Interest of spouse	10,000	0.00034%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. Plus Earn Consultants Limited ("**Plus Earn**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,637,914,589 shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.

3. Right Rich Consultants Limited ("**Right Rich**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 shares through their interests in Right Rich. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Right Rich.

4. Hero Fine Group Limited ("**Hero Fine**") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 63,242,000 shares through his interest in Hero Fine. Kong Jian Min is the sole director of Hero Fine.

5. Excel Wave Investments Limited ("**Excel Wave**") is legally and beneficially owned as to 100% by Kong Jian Tao and Kong Jian Tao is therefore deemed to be interested in 1,000,000 shares through his interest in Excel Wave. Kong Jian Tao is the sole director of Excel Wave.

6. These shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.

Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above or under the section headed "Share Option Scheme" on page 54, as at 31 December 2014, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any directors or chief executive of the Company, as at 31 December 2014, other than the interests and short positions of the directors or the chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and the Chief Executive in Shares and Underlying Shares" above and the section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(I) Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,637,914,589	55.59%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.

(II) Interests and Short Positions of Other Persons in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares in Long Position (Note 1)	Percentage of issued share capital
Alliance Bernstein L.P.	Investment Manager	157,802,000	5.36%
	Interest of controlled corporations	19,123,600	0.65%

Note:

1. Share(s) of HK$0.10 each in the capital of the Company.

Save as disclosed above, as at 31 December 2014, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007. Details of the Scheme are set out in note 32 to the financial statements.

During the year ended 31 December 2014, no share options were granted or exercised.

Details of the share options movement pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted as at 1 January 2014	Number of share options (cancelled) during the year (Note 1)	Number of share options (lapsed) during the year	Number of share options outstanding as at 31 December 2014	Date of grant (Notes 3 and 4)	Period during which share options are exercisable (Note 2)	Exercise price per share (HK$)
Li Jian Ming	619,000	–	(619,000)	–	18 December 2009	18 December 2010–17 December 2014	6.24
	619,000	–	–	619,000	26 August 2011	26 August 2012–25 August 2016	4.49
He Wei Zhi	619,000	–	(619,000)	–	18 December 2009	18 December 2010–17 December 2014	6.24
	619,000	–	–	619,000	26 August 2011	26 August 2012–25 August 2016	4.49
Tsui Kam Tim	619,000	–	(619,000)	–	18 December 2009	18 December 2010–17 December 2014	6.24
	1,238,000	–	–	1,238,000	26 August 2011	26 August 2012–25 August 2016	4.49
Tam Chun Fai	30,000	–	(30,000)	–	18 December 2009	18 December 2009–17 December 2014	6.24
	30,000	–	–	30,000	26 August 2011	26 August 2011–25 August 2016	4.49
Lee Ka Sze, Carmelo	30,000	–	(30,000)	–	18 December 2009	18 December 2009–17 December 2014	6.24
	30,000	–	–	30,000	26 August 2011	26 August 2011–25 August 2016	4.49
Dai Feng (Note 5)	30,000	(30,000)	–	–	18 December 2009	18 December 2009–17 December 2014	6.24
	30,000	(30,000)	–	–	26 August 2011	26 August 2011–25 August 2016	4.49
Other employees of the Group	3,305,000	(447,000)	(2,858,000)	–	18 December 2009	18 December 2010–17 December 2014	6.24
Other employees of the Group	3,822,000	(447,000)	–	3,375,000	26 August 2011	26 August 2012–25 August 2016	4.49

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise periods.
2. Details of the exercise period of the share option are set out in note 32 to the financial statements.
3. The closing price of the Company's shares immediately before the date on which options granted on 18 December 2009 was HK$6.23. All the share options were lapsed on 17 December 2014.
4. The closing price of the Company's shares immediately before the date on which options granted on 26 August 2011 was HK$4.32.
5. Mr. Dai Feng resigned as an independent non-executive director of the Company on 28 February 2014.

Valuation of Share Options

The Company has been using the Black-Scholes model and binomial model (the "Models") to value the share options granted. Details of the key parameters used in the Models and the corresponding fair values of the options granted under the Scheme are set out in note 32 to the financial statements.

Contract of Significance

No contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Corporate Governance

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

Directors' Interests in a Competing Business

During the year and up to the date of this report, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Auditors

Ernst & Young retire and a resolution for the re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

A joint venture in which the Group owns 28.57% equity interest, Total Champ Limited, entered into an agreement for a term loan of HK$1,075,000,000 (the "Loan Agreement I") on 4 November 2011. The Loan Agreement I includes a condition imposing specific performance obligations on Mr. Kong Jian Min ("Mr. Kong"), the controlling shareholder of the Company. Mr. Kong is interested in approximately 60.29% of the issued share capital of the Company as at 31 December 2014. It will be an event of default in the event that Mr. Kong ceases to (i) be the single largest shareholder of the Company; (ii) hold directly or indirectly not less than 30% of the beneficial interest in the issued share capital of the Company; or (iii) have the right to determine the composition of the majority of the Board or equivalent body of the Company, and in such event (amongst other things), the Loan Agreement I may be terminated by the lenders and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 4 November 2011.

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK$250,000,000 (the "Facility Agreement I"). The Facility Agreement I includes conditions imposing specific performance obligations on Mr. Kong. It will be an event of default if Mr. Kong ceases to (i) continue to hold, whether directly or indirectly through any person beneficially, at least 35% of the issued share capital of the Company; (ii) remain as the chairman of the Board of the Company; and (iii) remain as the single largest shareholder of the issued share capital of the Company, and in such event (amongst other things), the Facility Agreement I may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 28 September 2012.

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK$500,000,000 (the "Facility Agreement II"). The Facility Agreement II includes conditions imposing specific performance obligations on Mr. Kong, Mr. Kong Jian Tao and Mr. Kong Jian Nan (collectively called "Kong's family"). Kong's family is collectively interested in approximately 60.32% of the issued share capital of the Company

Report of the Directors

as at 31 December 2014. It will be an event of default if (i) Kong's family shall not together continue to control the Company; and (ii) Mr. Kong shall not remain as the chairman of the Board of the Company. "Control" under the Facility Agreement II means (a) (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) the power to appoint and/or remove all or a majority of the members of the Board or other governing body of the Company or otherwise control or has the power of control over the affairs and policies of the Company; and (b) to hold, whether directly or indirectly through any person beneficially, at least 30% of the issued share capital of the Company. Upon the occurrence of an event of default, the Facility Agreement II may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transactions are disclosed in the announcement of the Company dated 28 September 2012.

A joint venture in which the Group owns 25% equity interest, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. （天津津南新城房地產開發有限公司） entered into a facility agreement for a term loan of RMB1,000,000,000 (the "Facility Agreement III") on 21 May 2013. The Facility Agreement III imposes specific performance obligations on Mr. Kong. The Company has undertaken that Mr. Kong will, at all times during the term of the facility, continue to hold, directly or indirectly, at least 35% of the issued share capital of the Company and will maintain control over the management of the Company and its subsidiaries and remain as the single largest shareholder of the issued share capital of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement III) under the Facility Agreement III. Further details of the transaction are disclosed in the announcement of the Company dated 21 May 2013.

A joint venture in which the Group owns 25% equity interest, Charm Talent Limited entered into a facility agreement for a HK$2,700,000,000 transferable term loan facility (the "Facility Agreement IV") on 10 October 2013. The Facility Agreement IV imposes specific performance obligations on Mr. Kong. The Company has undertaken that Mr. Kong will, at all times during the term of the facility, beneficially own (in aggregate), directly or indirectly, at least 35% of the issued ordinary shares of the Company or exercise, be entitled to exercise management control over the Company, or remain as the single largest shareholder of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement IV) under the Facility Agreement IV. Further details of the transaction are disclosed in the announcement of the Company dated 10 October 2013.

On 18 November 2014, the Company entered into a facility agreement in respect of transferrable term loan facility in the amount of HK$2,003,750,000 with a greenshoe option of HK$1,000,000,000 (the "Facility Agreement V"). The Facility Agreement V includes conditions imposing specific performance obligations on Mr. Kong. The Company has undertaken to procure that Mr. Kong will, at all times during the term of the facility, (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement V) under the Facility Agreement V. Further details of the transaction are disclosed in the announcement of the Company dated 18 November 2014.

ON BEHALF OF THE BOARD

Kong Jian Min
Chairman

Hong Kong
23 March 2015

Independent Auditors' Report

EY 安永

To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of KWG Property Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 146, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

23 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
REVENUE	5	**10,465,788**	9,468,002
Cost of sales		**(6,748,208)**	(6,035,968)
Gross profit		**3,717,580**	3,432,034
Other income and gains, net	5	**98,346**	75,295
Selling and marketing expenses		**(298,451)**	(261,138)
Administrative expenses		**(794,247)**	(753,026)
Other operating expenses, net		**(312,972)**	(898)
Fair value gains on investment properties, net	15	**699,143**	541,468
Finance costs	7	**(6,083)**	(214,291)
Share of profits and losses of:			
Associates		**(5,686)**	(3,121)
Joint ventures		**1,547,942**	887,480
PROFIT BEFORE TAX	6	**4,645,572**	3,703,803
Income tax expenses	10	**(1,377,431)**	(954,550)
PROFIT FOR THE YEAR		**3,268,141**	2,749,253
Attributable to:			
Owners of the Company	11	**3,272,225**	2,749,769
Non-controlling interests		**(4,084)**	(516)
		3,268,141	2,749,253
Earnings per share attributable to owners of the Company – Basic and diluted	13	**RMB112 cents**	RMB95 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	**3,268,141**	2,749,253
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(21,293)**	163,442
Share of exchange differences on translation of associates	**(2,135)**	23,308
Share of exchange differences on translation of joint ventures	**(7,164)**	32,038
NET OTHER COMPREHENSIVE (LOSS)/INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(30,592)**	218,788
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,237,549**	2,968,041
Attributable to:		
Owners of the Company	**3,241,633**	2,968,557
Non-controlling interests	**(4,084)**	(516)
	3,237,549	2,968,041

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,584,388**	3,176,236
Investment properties	15	**7,046,100**	6,134,630
Land use rights	16	**939,522**	858,546
Interests in associates	18	**767,400**	744,506
Interests in joint ventures	19	**16,622,226**	13,229,965
Deferred tax assets	29	**1,075,366**	995,798
Total non-current assets		**30,035,002**	25,139,681
CURRENT ASSETS			
Properties under development	20	**22,898,303**	18,923,966
Completed properties held for sale	21	**5,487,119**	4,036,430
Trade receivables	22	**217,317**	166,695
Prepayments, deposits and other receivables	23	**1,869,921**	2,309,263
Due from a joint venture	19	**54**	23
Taxes recoverable	24(a)	**168,164**	155,600
Restricted cash	25	**776,897**	1,444,243
Cash and cash equivalents	25	**10,094,238**	9,414,483
Total current assets		**41,512,013**	36,450,703
CURRENT LIABILITIES			
Trade and bills payables	26	**2,693,611**	3,333,315
Other payables and accruals	27	**7,254,556**	8,452,278
Due to joint ventures	19	**10,700,785**	6,401,540
Interest-bearing bank and other borrowings	28	**3,465,336**	3,065,010
Taxes payable	24(b)	**3,933,326**	3,735,200
Total current liabilities		**28,047,614**	24,987,343
NET CURRENT ASSETS		**13,464,399**	11,463,360
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,499,401**	36,603,041
NON-CURRENT LIABILITIES			
Due to a joint venture	19	**1,000,000**	–
Interest-bearing bank and other borrowings	28	**21,047,717**	17,840,356
Deferred tax liabilities	29	**1,013,226**	909,523
Deferred revenue	30	**2,042**	11,000
Total non-current liabilities		**23,062,985**	18,760,879
NET ASSETS		**20,436,416**	17,842,162

Consolidated Statement of Financial Position

31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**284,706**	280,485
Reserves		**19,158,882**	16,698,009
Proposed final dividends	12	**972,258**	839,014
		20,415,846	17,817,508
Non-controlling interests		**20,570**	24,654
TOTAL EQUITY		**20,436,416**	17,842,162

Kong Jian Min
Director

Kong Jian Tao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to owners of the Company										
	Notes	Issued capital RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013		280,485	6,615,724	607,802	106,368	25,478	(57,546)	7,269,247	433,973	15,281,531	71,848	15,353,379
Profit for the year		–	–	–	–	–	–	2,749,769	–	2,749,769	(516)	2,749,253
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	163,442	–	–	–	–	163,442	–	163,442
Share of exchange differences on translation of associates		–	–	–	23,308	–	–	–	–	23,308	–	23,308
Share of exchange differences on translation of joint ventures		–	–	–	32,038	–	–	–	–	32,038	–	32,038
Total comprehensive income for the year		–	–	–	218,788	–	–	2,749,769	–	2,968,557	(516)	2,968,041
Derecognition of a subsidiary		–	–	–	–	–	–	–	–	–	(48,878)	(48,878)
Contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	2,200	2,200
Share option expenses	32	–	–	–	–	1,393	–	–	–	1,393	–	1,393
Final 2012 dividend declared		–	–	–	–	–	–	–	(433,973)	(433,973)	–	(433,973)
Transfer to reserves	33(a)	–	–	137,308	–	–	–	(137,308)	–	–	–	–
Proposed final 2013 dividend	12	–	–	–	–	–	–	(839,014)	839,014	–	–	–
At 31 December 2013		280,485	6,615,724*	745,110*	325,156*	26,871*	(57,546)*	9,042,694*	839,014	17,817,508	24,654	17,842,162

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to owners of the Company										
	Notes	Issued capital RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		280,485	6,615,724	745,110	325,156	26,871	(57,546)	9,042,694	839,014	17,817,508	24,654	17,842,162
Profit for the year		–	–	–	–	–	–	3,272,225	–	3,272,225	(4,084)	3,268,141
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	(21,293)	–	–	–	–	(21,293)	–	(21,293)
Share of exchange differences on translation of associates		–	–	–	(2,135)	–	–	–	–	(2,135)	–	(2,135)
Share of exchange differences on translation of joint ventures		–	–	–	(7,164)	–	–	–	–	(7,164)	–	(7,164)
Total comprehensive income for the year		–	–	–	(30,592)	–	–	3,272,225	–	3,241,633	(4,084)	3,237,549
Share option expenses	32	–	–	–	–	569	–	–	–	569	–	569
Transfer of equity-settled share option reserve upon the forfeiture or expiry of share options		–	–	–	–	(21,628)	–	21,628	–	–	–	–
Final 2013 dividend declared	31	4,221	190,929	–	–	–	–	–	(839,014)	(643,864)	–	(643,864)
Transfer to reserves	33(a)	–	–	152,024	–	–	–	(152,024)	–	–	–	–
Proposed final 2014 dividend	12	–	–	–	–	–	–	(972,258)	972,258	–	–	–
At 31 December 2014		284,706	6,806,653*	897,134*	294,564*	5,812*	(57,546)*	11,212,265*	972,258	20,415,846	20,570	20,436,416

* These reserve accounts comprise the consolidated reserves of approximately RMB19,158,882,000 (2013: approximately RMB16,698,009,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,645,572**	3,703,803
Adjustments for:			
Finance costs	7	**6,083**	214,291
Share of profits and losses of associates		**5,686**	3,121
Share of profits and losses of joint ventures		**(1,547,942)**	(887,480)
Interest income	5	**(48,211)**	(42,848)
Recognition of deferred revenue	30	**–**	(700,000)
Loss on disposal of investment properties, net	6	**229**	139
Loss on disposal of items of property, plant and equipment	6	**906**	11
Depreciation	6	**150,459**	69,020
Amortisation of land use rights	6	**3,324**	2,353
Changes in fair values of investment properties, net	15	**(699,143)**	(541,468)
Equity-settled share option expenses	32	**569**	1,393
		2,517,532	1,822,335
Increase in properties under development		**(2,512,135)**	(1,051,531)
Increase in completed properties held for sale		**(1,450,689)**	(48,815)
Increase in trade receivables		**(50,622)**	(80,281)
Decrease/(increase) in prepayments, deposits and other receivables		**445,399**	(2,094,258)
Increase in an amount due from a joint venture		**(31)**	(23)
Decrease in restricted cash		**667,346**	72,986
(Decrease)/increase in trade and bills payables		**(639,704)**	225,667
(Decrease)/increase in other payables and accruals		**(251,605)**	3,683,859
Increase in amounts due to joint ventures		**4,299,245**	3,947,306
Cash generated from operations		**3,024,736**	6,477,245
Interest received		**48,211**	42,848
Interest paid		**(2,281,282)**	(1,915,417)
Corporate income tax paid		**(320,131)**	(197,479)
Land appreciation tax paid		**(847,618)**	(351,121)
Net cash flows (used in)/from operating activities		**(376,084)**	4,056,076

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Net cash flows (used in)/from operating activities		**(376,084)**	4,056,076
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(550,559)**	(547,293)
Acquisition of land use rights		**(3,114)**	(27,451)
Proceeds from disposal of investment properties		**3,832**	2,396
Derecognition of subsidiaries	35	**–**	(366,098)
Proceeds from disposals of property, plant and equipment		**7,682**	6,395
Investments in joint ventures		**(248,942)**	(918,710)
Advance to associates		**(30,715)**	(82,344)
Advance to joint ventures		**(1,602,541)**	(2,742,100)
Net cash flows used in investing activities		**(2,424,357)**	(4,675,205)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes		**5,802,836**	1,825,174
New bank loans		**6,849,541**	9,160,182
Repayment of bank loans		**(5,488,277)**	(5,427,118)
Early redemption of senior notes		**(4,042,967)**	–
Increase in an amount due to a joint venture		**1,000,000**	–
Dividend paid		**(643,864)**	(433,973)
Contributions from non-controlling interests		**–**	2,200
Net cash flows from financing activities		**3,477,269**	5,126,465
NET INCREASE IN CASH AND CASH EQUIVALENTS		**676,828**	4,507,336
Cash and cash equivalents at beginning of year		**9,414,483**	4,927,197
Effect of foreign exchange rate changes, net		**2,927**	(20,050)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,094,238**	9,414,483
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,501,163**	4,419,272
Non-pledged time deposits with original maturity of less than three months when acquired	25	**5,593,075**	4,995,211
Cash and cash equivalents		**10,094,238**	9,414,483

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,056**	4,928
Interests in subsidiaries	17	**11,820,697**	10,930,349
Advances to associates	18	**379,132**	349,360
Interests in joint ventures	19	**2,262,494**	2,175,631
Total non-current assets		**14,467,379**	13,460,268
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**169,512**	187,092
Due from a subsidiary	17	**3,962,106**	2,717,979
Cash and cash equivalents	25	**260,892**	379,389
Total current assets		**4,392,510**	3,284,460
CURRENT LIABILITIES			
Other payables and accruals	27	**389,872**	304,195
Due to joint ventures	19	**515,666**	772,636
Interest-bearing bank and other borrowings	28	**437,276**	236,308
Total current liabilities		**1,342,814**	1,313,139
NET CURRENT ASSETS		**3,049,696**	1,971,321
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,517,075**	15,431,589
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**10,144,085**	8,353,404
Total non-current liabilities		**10,144,085**	8,353,404
NET ASSETS		**7,372,990**	7,078,185
EQUITY			
Issued capital	31	**284,706**	280,485
Reserves	33(b)	**6,116,026**	5,958,686
Proposed final dividends	12	**972,258**	839,014
TOTAL EQUITY		**7,372,990**	7,078,185

Kong Jian Min
Director

Kong Jian Tao
Director

Notes to Financial Statements

31 December 2014

1. Corporate Information

KWG Property Holding Limited ("KWG Property" or the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities in the People's Republic of China (the "PRC"):

- property development
- property investment
- hotel operation
- provision of property management services

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 New and Revised HKFRSs and New Disclosure Requirements Under the Hong Kong Companies Ordinance Not Yet Adopted

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Annual Improvements 2010–2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011–2013 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

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

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

Notes to Financial Statements

31 December 2014

2.3 New and Revised HKFRSs and New Disclosure Requirements Under the Hong Kong Companies Ordinance Not Yet Adopted *(continued)*

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

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

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

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

The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 3, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

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

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Investments in associates and joint ventures *(continued)*

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

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations *(continued)*

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

Fair value measurement

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

or

(b) the party is an entity where any of the following conditions applies:

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

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

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

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

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

Buildings	3% to 5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	10% to 20%

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

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

Assets under construction represent properties under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, amortised land use rights and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies *(continued)*

Investment properties

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

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

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

For a transfer from properties under development to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Operating leases

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

Land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

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

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

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets

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

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

Subsequent measurement
The subsequent measurement of loans and receivables is as follows:

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

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

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

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

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2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, the amount due to joint ventures and interest-bearing bank and other borrowings.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement
The subsequent measurement of financial liabilities depending on their classification is as follows:

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to such assets.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

(b) rental income, on a time proportion basis over the lease terms;

(c) hotel revenue from room rentals, food and beverage sales and other ancillary services, when the services are rendered;

(d) property management fee income, when the related management services have been provided; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model and binomial model (the "Models"), further details of which are given in note 32 to the financial statements.

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Termination benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Dividends

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

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies

The Company's functional currency is Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement translation of monetary items are recognised in the statement of profit or loss.

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Transfer from properties under development and completed properties held for sale to investment properties

Properties under development and completed properties held for sale are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised immediately in the consolidated statement of profit or loss. During the year ended 31 December 2014, properties under development and completed properties held for sale with total carrying amount of approximately RMB178,020,000 (2013: approximately RMB340,081,000) and RMB38,368,000 (2013: Nil), respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB97,244,000 (2013: approximately RMB69,976,000) and RMB136,415,000 (2013: Nil), respectively, in the consolidated statement of profit or loss.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties of rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties are subsequently disposed of by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event the investment properties are being disposed of, the Group may be liable to higher tax upon disposal considering the impact of corporate income tax and land appreciation tax.

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements *(continued)*

Withholding tax arising from the distribution of dividends

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the jurisdictions of the immediate holding company of the PRC subsidiaries is subject to judgement on the timing of the payment of the dividends. The Group considered that the applicable withholding tax rate is 5%.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Corporate income taxes

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

PRC land appreciation taxes

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2014 was approximately RMB170,520,000 (2013: approximately RMB92,840,000). The amount of unrecognised tax losses at 31 December 2014 was approximately RMB1,425,652,000 (31 December 2013: approximately RMB672,856,000). Further details are contained in note 29 to the financial statements.

Estimation of fair value of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of each reporting period based on the appraised market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of the Group's investment properties at 31 December 2014 was approximately RMB7,046,100,000 (31 December 2013: approximately RMB6,134,630,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets

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

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of 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 may divide 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 saleable area of the entire project.

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

4. Operating Segment Information

For management purposes, the Group is organised into four reportable operating segments as follows:

(a)	Property development:	Sale of properties
(b)	Property investment:	Leasing of properties
(c)	Hotel operation:	Operation of hotels
(d)	Property management:	Provision of property management services

The property development projects undertaken by the Group during the year are all located in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from external customers is derived solely from its operations in the PRC. As the Group's major operations and customers are located in the PRC, no further geographical segment information is provided.

Notes to Financial Statements

31 December 2014

4. Operating Segment Information *(continued)*

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as there assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Other than the segment information disclosed below, the directors considered that other segment information is not reporting segment information used by the chief operating decision makers of the Group.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2014

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	9,770,424	146,971	332,221	216,172	10,465,788
Segment results	4,251,764	845,034	75,315	44,505	5,216,618
Reconciliation:					
Interest income and unallocated income					98,346
Unallocated expenses					(663,309)
Finance costs					(6,083)
Profit before tax					4,645,572
Income tax expenses					(1,377,431)
Profit for the year					3,268,141
Asset and liabilities:					
Segment assets	50,646,993	7,620,282	335,637	77,616	58,680,528
Reconciliation:					
Unallocated assets					12,866,487
Total assets					71,547,015
Segment liabilities	45,466,425	83,550	44,066	516	45,594,557
Reconciliation:					
Unallocated liabilities					5,516,042
Total liabilities					51,110,599
Other segment information:					
Depreciation and amortisation	75,669	2,390	74,730	994	153,783
Fair value gains on investment properties, net	–	699,143	–	–	699,143
Share of profits and losses of:					
Associates	(5,686)	–	–	–	(5,686)
Joint ventures	1,547,942	–	–	–	1,547,942

4. Operating Segment Information *(continued)*

Year ended 31 December 2013

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	8,976,887	144,735	203,120	143,260	9,468,002
Segment results	3,674,955	685,274	78,904	(1,788)	4,437,345
Reconciliation:					
Interest income and unallocated income					75,295
Unallocated expenses					(594,546)
Finance costs					(214,291)
Profit before tax					3,703,803
Income tax expenses					(954,550)
Profit for the year					2,749,253
Assets and liabilities:					
Segment assets	41,925,268	6,825,458	358,292	59,256	49,168,274
Reconciliation:					
Unallocated assets					12,422,110
Total assets					61,590,384
Segment liabilities	38,470,472	131,164	62,934	15,670	38,680,240
Reconciliation:					
Unallocated liabilities					5,067,982
Total liabilities					43,748,222
Other segment information:					
Depreciation and amortisation	56,055	2,390	12,175	753	71,373
Fair value gains on investment properties, net	–	541,468	–	–	541,468
Share of profits and losses of:					
Associates	(3,121)	–	–	–	(3,121)
Joint ventures	887,480	–	–	–	887,480

Notes to Financial Statements

31 December 2014

5. Revenue, Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties, gross rental income received and receivable from investment properties, gross revenue from hotel operation and property management fee income during the year.

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

	2014 **RMB'000**	2013 RMB'000
Revenue:		
Sale of properties	**9,770,424**	8,976,887
Gross rental income	**146,971**	144,735
Hotel operation income	**332,221**	203,120
Property management fees	**216,172**	143,260
	10,465,788	9,468,002
Other income and gains, net:		
Bank interest income	**48,211**	42,848
Foreign exchange differences, net	**1,119**	3,702
Others	**49,016**	28,745
	98,346	75,295

6. Profit Before Tax

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

	Notes	**2014 RMB'000**	2013 RMB'000
Cost of properties sold		**6,468,583**	5,943,332
Less: Government grant released*	27(a)	**(25)**	(1,076)
		6,468,558	5,942,256
Depreciation	14	**150,459**	69,020
Amortisation of land use rights	16	**19,964**	18,675
Less: Amount capitalised in assets under construction		**(16,640)**	(16,322)
		3,324	2,353
Premium paid on early redemption of senior notes***		**231,940**	–
Minimum lease payments under operating leases of land and buildings		**20,807**	19,759
Auditors' remuneration		**4,200**	4,200
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**486,732**	419,298
Pension scheme contributions**		**46,517**	30,713
Equity-settled share option expense		**343**	1,126
		533,592	451,137
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development		**(132,402)**	(127,654)
		401,190	323,483
Loss on disposal of investment properties, net***		**229**	139
Loss on disposal of items of property, plant and equipment***		**906**	11
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	15	**26,952**	26,531

* There are no unfulfilled conditions or contingencies relating to this government grant.

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

*** These items are included in "Other operating expenses, net" in the consolidated statements of profit or loss.

Notes to Financial Statements

31 December 2014

7. Finance Costs

An analysis of the Group's finance costs is as follows:

	2014 **RMB'000**	2013 RMB'000
Interest on bank and other borrowings	**2,296,964**	1,893,751
Less: Interest capitalised	**(2,290,881)**	(1,679,460)
	6,083	214,291

8. Directors' and Chief Executive's Remuneration

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

	2014 **RMB'000**	2013 RMB'000
Fees	**5,745**	3,459
Other emoluments:		
Salaries, allowances and benefits in kind	**19,394**	20,020
Equity-settled share option expense	**226**	267
Pension scheme contributions	**270**	271
	19,890	20,558
	25,635	24,017

For the years ended 31 December 2014 and 2013, no directors and chief executive were granted share options.

8. Directors' and Chief Executive's Remuneration *(continued)*

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2014			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	**394**	**2**	**396**
Mr. Dai Feng (resigned on 28 February 2014)	**66**	**2**	**68**
Mr. Tam Chun Fai	**394**	**2**	**396**
Mr. Li Bin Hai	**394**	**–**	**394**
	1,248	**6**	**1,254**
2013			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	374	6	380
Mr. Dai Feng	374	6	380
Mr. Tam Chun Fai	374	5	379
Mr. Li Bin Hai	374	–	374
	1,496	17	1,513

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

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014					
Executive directors:					
Mr. Kong Jian Min	**1,183**	**3,417**	**–**	**44**	**4,644**
Mr. Kong Jian Tao	**1,183**	**3,417**	**–**	**44**	**4,644**
Mr. Kong Jian Nan	**1,183**	**3,417**	**–**	**52**	**4,652**
Mr. Li Jian Ming	**316**	**2,466**	**55**	**52**	**2,889**
Mr. Tsui Kam Tim	**316**	**4,260**	**110**	**26**	**4,712**
Mr. He Wei Zhi	**316**	**2,417**	**55**	**52**	**2,840**
	4,497	**19,394**	**220**	**270**	**24,381**
2013					
Executive directors:					
Mr. Kong Jian Min	314	3,600	–	49	3,963
Mr. Kong Jian Tao	314	3,600	–	49	3,963
Mr. Kong Jian Nan	314	3,380	–	49	3,743
Mr. Li Jian Ming	314	2,276	192	47	2,829
Mr. Tsui Kam Tim	314	4,255	310	24	4,903
Mr. He Wei Zhi	314	2,353	192	41	2,900
Mr. Yu Yao Sheng (resigned on 30 April 2013)	79	556	(444)	12	203
	1,963	20,020	250	271	22,504

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

Notes to Financial Statements

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9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2014 included four (2013: four) directors, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining one non-director, highest paid employee for the year ended 31 December 2014 were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**6,646**	3,494
Pension scheme contributions	**–**	24
	6,646	3,518

The number of non-director, highest paid employees whose emolument fell within the following bands is as follows:

	Number of employees	
	2014	2013
RMB3,500,001 to RMB4,000,000	**–**	1
RMB6,500,001 to RMB7,000,000	**1**	–

No emoluments were paid by the Group to the directors or non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

10. Income Tax Expenses

	Note	**2014** RMB'000	2013 RMB'000
Current – PRC			
Corporate income tax ("CIT")		**667,748**	520,084
Land appreciation tax ("LAT")		**685,563**	369,244
		1,353,311	889,328
Deferred	29	**24,120**	65,222
Total tax charge for the year		**1,377,431**	954,550

10. Income Tax Expenses *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**4,645,572**	3,703,803
At statutory income tax rate of 25.0% (2013: 25.0%)	**1,161,393**	925,951
Income not subject to tax	**(543)**	(3,401)
Expenses not deductible for tax	**75,222**	10,102
Profits and losses attributable to associates	**1,422**	780
Profits and losses attributable to joint ventures	**(386,985)**	(221,870)
LAT	**685,563**	369,244
Effect of LAT	**(171,391)**	(92,311)
Others	**12,750**	(33,945)
Tax charge at the Group's effective rate of 29.7% (2013: 25.8%)	**1,377,431**	954,550

For the year ended 31 December 2014, the share of CIT expense and LAT attributable to the joint ventures amounting to approximately RMB517,679,000 (2013: approximately RMB295,927,000) and approximately RMB343,578,000 (2013: approximately RMB252,051,000), respectively, are included in "Share of profits and losses of joint ventures" on the face of the consolidated statement of profit or loss.

For the year ended 31 December 2014, the share of CIT credit attributable to the associates amounting to approximately RMB1,790,000 (2013: approximately RMB1,022,000), is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2014 and 2013.

PRC corporate income tax

PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2014 and 2013, based on existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax

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

Notes to Financial Statements

31 December 2014

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of approximately RMB306,519,000 (2013: approximately RMB262,070,000), which was arrived at after deducting dividend income received from subsidiaries of RMB1,235,000,000 (2013: RMB1,187,500,000) from the Company's profit of approximately RMB928,481,000 (2013: approximately RMB925,430,000) that has been dealt with in the financial statements of the Company (note 33(b)).

12. Dividends

	2014 **RMB'000**	2013 RMB'000
Proposed final scrip dividend (with a cash option) – RMB33 cents (2013: scrip dividend (with a cash option) of RMB29 cents) per ordinary share	**972,258**	839,014

During the year, the 2013 final dividends were distributed to shareholders of the Company by script dividends of approximately RMB195,150,000 and cash dividends of approximately RMB643,864,000, respectively.

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

13. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 2,915,838,344 (2013: 2,893,150,000) in issue during the year.

For the year ended 31 December 2014, the calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 2,915,838,344 (2013: 2,893,150,000) plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 515,591 (2013: 611,805).

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

	2014 **RMB'000**	2013 RMB'000
Earnings		
Profit attributable to owners of the Company	**3,272,225**	2,749,769

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**2,915,838,344**	2,893,150,000
Effect of dilution – share options	**515,591**	611,805
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,916,353,935**	2,893,761,805

14. Property, Plant and Equipment

Group

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2014							
At 31 December 2013 and 1 January 2014:							
Cost	**2,609,122**	**6,073**	**3,188**	**271,172**	**83,749**	**447,780**	**3,421,084**
Accumulated depreciation	**(109,028)**	**(4,383)**	**(3,096)**	**(84,245)**	**(44,096)**	**–**	**(244,848)**
Net carrying amount	**2,500,094**	**1,690**	**92**	**186,927**	**39,653**	**447,780**	**3,176,236**
At 1 January 2014, net of accumulated depreciation	**2,500,094**	**1,690**	**92**	**186,927**	**39,653**	**447,780**	**3,176,236**
Additions	**127,476**	**2,044**	**–**	**18,954**	**5,334**	**413,391**	**567,199**
Disposals	**–**	**(988)**	**–**	**(5,166)**	**(2,434)**	**–**	**(8,588)**
Depreciation provided during the year	**(79,393)**	**(780)**	**(77)**	**(55,535)**	**(14,674)**	**–**	**(150,459)**
At 31 December 2014, net of accumulated depreciation	**2,548,177**	**1,966**	**15**	**145,180**	**27,879**	**861,171**	**3,584,388**
At 31 December 2014:							
Cost	**2,736,598**	**7,049**	**3,188**	**283,020**	**85,206**	**861,171**	**3,976,232**
Accumulated depreciation	**(188,421)**	**(5,083)**	**(3,173)**	**(137,840)**	**(57,327)**	**–**	**(391,844)**
Net carrying amount	**2,548,177**	**1,966**	**15**	**145,180**	**27,879**	**861,171**	**3,584,388**

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2013							
At 1 January 2013:							
Cost	1,043,980	5,930	3,188	263,486	78,374	1,474,629	2,869,587
Accumulated depreciation	(94,861)	(3,056)	(3,096)	(48,294)	(32,233)	–	(181,540)
Net carrying amount	949,119	2,874	92	215,192	46,141	1,474,629	2,688,047
At 1 January 2013, net of accumulated depreciation	949,119	2,874	92	215,192	46,141	1,474,629	2,688,047
Additions	10,203	143	–	14,323	10,856	570,746	606,271
Transfer	1,554,939	–	–	–	–	(1,597,595)	(42,656)
Derecognition of a subsidiary (note 35(i))	–	–	–	(12)	–	–	(12)
Disposals	–	–	–	(4,018)	(2,376)	–	(6,394)
Depreciation provided during the year	(14,167)	(1,327)	–	(38,558)	(14,968)	–	(69,020)
At 31 December 2013, net of accumulated depreciation	2,500,094	1,690	92	186,927	39,653	447,780	3,176,236
At 31 December 2013:							
Cost	2,609,122	6,073	3,188	271,172	83,749	447,780	3,421,084
Accumulated depreciation	(109,028)	(4,383)	(3,096)	(84,245)	(44,096)	–	(244,848)
Net carrying amount	2,500,094	1,690	92	186,927	39,653	447,780	3,176,236

14. Property, Plant and Equipment *(continued)*

Company

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2014				
At 31 December 2013 and 1 January 2014:				
Cost	**2,426**	**721**	**3,565**	**6,712**
Accumulated depreciation	**(1,146)**	**(108)**	**(530)**	**(1,784)**
Net carrying amount	**1,280**	**613**	**3,035**	**4,928**
At 1 January 2014, net of accumulated depreciation	**1,280**	**613**	**3,035**	**4,928**
Additions	**615**	**243**	**601**	**1,459**
Depreciation provided during the year	**(240)**	**(363)**	**(728)**	**(1,331)**
At 31 December 2014, net of accumulated depreciation	**1,655**	**493**	**2,908**	**5,056**
At 31 December 2014:				
Cost	**3,041**	**964**	**4,166**	**8,171**
Accumulated depreciation	**(1,386)**	**(471)**	**(1,258)**	**(3,115)**
Net carrying amount	**1,655**	**493**	**2,908**	**5,056**

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2013				
At 1 January 2013:				
Cost	2,283	721	482	3,486
Accumulated depreciation	(567)	(104)	(430)	(1,101)
Net carrying amount	1,716	617	52	2,385
At 1 January 2013, net of accumulated depreciation	1,716	617	52	2,385
Additions	143	–	3,083	3,226
Depreciation provided during the year	(579)	(4)	(100)	(683)
At 31 December 2013, net of accumulated depreciation	1,280	613	3,035	4,928
At 31 December 2013:				
Cost	2,426	721	3,565	6,712
Accumulated depreciation	(1,146)	(108)	(530)	(1,784)
Net carrying amount	1,280	613	3,035	4,928

At 31 December 2014, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB2,388,222,000 (2013: approximately RMB2,394,365,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

15. Investment Properties

Group

	2014 Completed investment properties RMB'000	2014 Investment properties under construction RMB'000	2014 Total RMB'000	2013 Completed investment properties RMB'000	2013 Investment properties under construction RMB'000	2013 Total RMB'000
Carrying amount at 1 January	**3,949,230**	**2,185,400**	**6,134,630**	3,708,042	1,546,730	5,254,772
Transfers from properties under development (note 20)	**–**	**178,020**	**178,020**	–	340,081	340,081
Transfer from completed properties held for sale (note 21)	**38,368**	**–**	**38,368**	–	–	–
Transfers	**–**	**–**	**–**	102,244	(101,400)	844
Disposals	**(4,061)**	**–**	**(4,061)**	(2,535)	–	(2,535)
Gain from a fair value adjustment	**314,563**	**384,580**	**699,143**	141,479	399,989	541,468
Carrying amount at 31 December	**4,298,100**	**2,748,000**	**7,046,100**	3,949,230	2,185,400	6,134,630

The Group's investment properties are situated in the PRC and the related land is held under the lease terms of 10 to 50 years.

The Group's investment properties consist of approximately RMB7,046,100,000 commercial properties in the PRC. The directors of the Company have determined that the investment properties consist of one class of asset, commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2014 based on valuations performed by DTZ Debenham Tie Leung Limited (2013: CB Richard Ellis Limited), independent professionally qualified valuers, at approximately RMB7,046,100,000 (2013: approximately RMB6,134,630,000). Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a). The gross rental income received and receivable by the Group and the direct expenses in respect of these investment properties are summarised as follows:

	2014 RMB'000	2013 RMB'000
Gross rental income	**146,971**	144,735
Direct expenses	**(26,952)**	(26,531)
Net rental income	**120,019**	118,204

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15. Investment Properties *(continued)*

Group *(continued)*
At 31 December 2014, the Group's investment properties with an aggregate carrying amount of approximately RMB3,499,864,000 (2013: approximately RMB3,313,453,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2014, the Group has not yet obtained the real estate ownership certificates of the Group's investment properties with a net carrying amount of approximately RMB2,956,000,000 (2013: approximately RMB2,411,866,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 147 of the annual report.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**7,046,100**	**7,046,100**

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	6,134,630	6,134,630

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

15. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

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

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Commercial properties	Investment approach and direct comparison	Estimated unit market rent (per sq.m. per month)	37 to 1,049
		Capitalisation rate	4.0% to 6.5%

The Group has determined that the highest and best use of the commercial properties at the measurement date would be to convert those properties for residential purposes. For strategic reasons, the properties are not being used in this manner.

All the properties are valued by the direct comparison method on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise by making references to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

The properties are also valued by the investment approach taking into account the rents passing of the properties and the reversionary potential of the tenancies, and reconcile the two approaches, if applicable.

A significant increase/decrease in the estimated rental value and a significant decrease/increase in the capitalisation rate in isolation will result in a corresponding significant increase/decrease in the fair value of the investment properties.

16. Land Use Rights

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**877,227**	1,083,369
Additions	**102,223**	27,451
Amortisation recognised during the year	**(19,964)**	(18,675)
Reclassification	**–**	(214,918)
At 31 December	**959,486**	877,227
Current portion included in prepayments, deposits and other receivables	**(19,964)**	(18,681)
Non-current portion	**939,522**	858,546

The Group's land use rights are located in the PRC and held under the lease terms of 10 to 70 years. An analysis of the lease term is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Analysed by type:		
Held under long term lease	**175,040**	105,871
Held under medium term lease	**784,446**	771,356
	959,486	877,227

Certain of the Group's land use rights with an aggregate net carrying amount of approximately RMB155,555,000 (2013: approximately RMB158,770,000) were pledged to banks to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2014, the Group has not yet obtained the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB27,450,000 (2013: approximately RMB25,379,000) from the relevant government authorities. The Group has not fully settled the purchase considerations in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payments of the purchase considerations.

17. Interests in Subsidiaries

	Company 2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**300,306**	300,306
Due from subsidiaries	**11,512,537**	10,616,651
Capital contribution in respect of employee share-based compensation	**7,854**	13,392
	11,820,697	10,930,349

The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and not repayable within 12 months.

The amount due from a subsidiary included in the Company's current assets of approximately RMB3,962,106,000 (2013: approximately RMB2,717,979,000) is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Happy Clear Consultants Limitedβ	British Virgin Islands/ Hong Kong	US$1,000	100	–	Investment holding
Reach Luck Consultants Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Boom Faith International Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rising Wave Enterprises Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Good Excel Enterprises Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Prime Way Enterprises Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Hugeluck Investments Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries as at 31 December 2014 are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Guangzhou Hejing Real Estate Development Limited*#β	PRC	US$99,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited#β	PRC	US$12,930,000	–	100	Property development
Guangzhou Hejing Yingfu Real Estate Development Limited#β	PRC	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited*#β	PRC	RMB792,000,000	–	100	Property development
Guangzhou Zhongtianying Real Estate Development Limited*#β	PRC	US$198,000,000	–	100	Property development
Guangzhou Tianjian Real Estate Development Limited*#β	PRC	RMB1,617,000,000	–	100	Property development
Guangzhou Fuxin Property Management Limited*#β	PRC	RMB7,000,000	–	100	Property management
Guangzhou Ningjun Property Management Limited*#β	PRC	RMB7,000,000	–	100	Property management
Guangzhou Junzhao Property Operation Limited*#β	PRC	RMB7,000,000	–	100	Property management
Chengdu Zhongtianying Real Estate Development Limited#β	PRC	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited#β	PRC	RMB30,000,000	–	100	Property development
Hainan New World Real Estate Property (HK) Limited*#β	PRC	HK$772,000,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited#β	PRC	RMB1,290,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited*#β	PRC	US$99,000,000	–	100	Property development

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries as at 31 December 2014 are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Hejing Real Estate Development Limited#β	PRC	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited*#β	PRC	HK$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#β	PRC	US$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#β	PRC	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited#β	PRC	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited ("Guangzhou Lihe")#β	PRC	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Hainan Hejing Real Estate Development Limited#β	PRC	RMB70,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Shanghai Deyu Real Estate Development Limited ("Shanghai Deyu")#β	PRC	RMB100,000,000	–	100	Property development
Shanghai Jinyi Property Limited#β	PRC	RMB30,000,000	–	100	Property development
Shanghai Hongyu Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company#β	PRC	RMB100,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Guangzhou Huijing Real Estate Development Limited*#β	PRC	US$58,500,000	–	100	Property development
Guangzhou Chuangjing Real Estate Development Limited*#β	PRC	US$15,120,000	–	100	Property development
Suzhou Junjing Real Estate Development Limited#β	PRC	RMB85,000,000	–	100	Property development
Shanghai Langhe Real Estate Development Limited#β	PRC	RMB887,000,000	–	100	Property development
Shanghai Jingdong Real Estate Development Limited#β	PRC	RMB1,350,000,000	–	100	Property development
Guangzhou Hejing Fengjingyuan Hotel Limited#β	PRC	RMB30,000,000	–	100	Hotel operation

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17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries as at 31 December 2014 are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Suzhou Shengjing Real Estate Development Limited#β	PRC	RMB120,000,000	–	100	Property development
Suzhou Kaiwei Real Estate Development Limited#β	PRC	RMB50,000,000	–	100	Property development
Guangzhou Weiyu Real Estate Development Limited#β	PRC	RMB60,000,000	–	100	Property development
Suzhou Kaifu Real Estate Development Limited#β	PRC	RMB170,000,000	–	100	Property development
Guangzhou Hongda Property Limited#β	PRC	RMB300,000,000	–	100	Property development
Beijing Fuyu Real Estate Development Limited#β	PRC	RMB20,000,000	–	100	Property development
Hangzhou Zhaojing Real Estate Development Limited#β	PRC	RMB120,000,000	–	100	Property development
Beijing Hongtai Real Estate Development Limited#β^	PRC	RMB10,000,000	–	100	Property development
Beijing Hengcheng Real Estate Development Limited#β^	PRC	RMB20,000,000	–	100	Property development
Hangzhou Hejing Real Estate Development Limited#β^	PRC	RMB120,000,000	–	100	Property development
Hangzhou Hongjun Real Estate Development Limited#β^	PRC	RMB120,000,000	–	100	Property development

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

β The statutory financial statements of these subsidiaries are not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

^ These companies were newly established during the year.

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

18. Interests in Associates/Balances with Associates

	Group	
	2014	2013
	RMB'000	RMB'000
Share of net assets	**56,934**	64,755
Advances to associates	**710,466**	679,751
	767,400	744,506

	Company	
	2014	2013
	RMB'000	RMB'000
Advances to associates	**379,132**	349,360

Except for the aggregate amounts of RMB28,100,000 (2013: RMB40,600,000), which are interest-bearing at 6.15% (2013: 6%) per annum, the advances to associates as shown above are unsecured, interest-free and not repayable within 12 months.

Particulars of the principal associates as at 31 December 2014 are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Lyntondale Holdings Limitedβ	Ordinary shares of US$1 each	British Virgin Islands	20	Investment holding
Foshan City Xinsheng Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20	Property development
Foshan City Xinfeng Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20	Property development
Foshan City Xinjin Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20	Property development
Bonserry Investments Limitedβ	Ordinary shares of US$1 each	British Virgin Islands	20	Investment holding

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18. Interests in Associates/Balances with Associates *(continued)*

Particulars of the principal associates as at 31 December 2014 are as follows: *(continued)*

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Foshan City Xinjun Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20	Property development
Foshan City Xinhao Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20	Property development
Foshan City Xinhui Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20	Property development
Foshan City Xinjing Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20	Property development

\# The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

β The statutory financial statements of these associates are not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

The above investments in associates are indirectly held by the Company through wholly-owned subsidiaries.

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

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014 **RMB'000**	2013 RMB'000
Share of the associates' loss, net for the year	**(5,686)**	(3,121)
Share of the associates' other comprehensive (loss)/income	**(2,135)**	23,308
Share of the associates' total comprehensive (loss)/income	**(7,821)**	20,187
Aggregate carrying amount of the Group's investments in the associates	**767,400**	744,506

19. Interests in Joint Ventures/Balances with Joint Ventures

	Group	
	2014	2013
	RMB'000	RMB'000
Share of net assets	**10,721,840**	8,932,120
Advances to joint ventures	**5,900,386**	4,297,845
	16,622,226	13,229,965

	Company	
	2014	2013
	RMB'000	RMB'000
Interests in joint ventures	**1,446,074**	1,446,074
Advances to joint ventures	**816,420**	729,557
	2,262,494	2,175,631

The advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months.

As at 31 December 2014, an amount due from a joint venture included in the Group's current assets of approximately RMB54,000 (2013: approximately RMB23,000) is unsecured, interest-free and has no fixed term of repayment.

The amounts due to joint ventures included in the Group's current liabilities of approximately RMB10,700,785,000 (2013: approximately RMB6,401,540,000) are unsecured, interest-free and have no fixed terms of repayment.

The amount due to a joint venture included in the Group's non-current liabilities of RMB1,000,000,000 (2013: Nil) is unsecured, bears interest at a rate of 6.15% per annum and is not repayable within one year.

As at 31 December 2014, the amounts due to joint ventures included in the Company's current liabilities of approximately RMB515,666,000 (2013: approximately RMB772,636,000) are unsecured, interest-free and have no fixed terms of repayment.

19. Interests in Joint Ventures/Balances with Joint Ventures *(continued)*

Particulars of the Group's principal joint ventures as at 31 December 2014 are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Weibai Property Development Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Precious Wave Investments Limitedβ	Ordinary shares of US$1 each	British Virgin Islands	50	50	50	Investment holding
Quality Express Limitedβ	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Investment holding
Guangzhou Fujing Real Estate Development Limited ("Guangzhou Fujing")#β	Registered capital of HK$1 each	PRC	33.3	33.3	33.3	Property development
Shanghai Zhendong Property Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Tianjin Jinnan New Town Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	25	25	25	Property development
Tianjin He'an Investments Limited#β	Registered capital of RMB1 each	PRC	25	25	25	Property development
Shanghai Chengtou Yuecheng Property Limited ("Shanghai Chengtou Yuecheng")#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Chengdu Hongyu Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Great Command Investments Limitedβ	Ordinary shares of HK$1 each	Hong Kong	28.6	28.6	28.6	Investment holding
Total Champ Limitedβ	Ordinary shares of HK$1 each	Hong Kong	28.6	28.6	28.6	Investment holding
Suzhou Kaiyu Real Estate Development Limited ("Suzhou Kaiyu")#β(i)	Registered capital of RMB1 each	PRC	90	50	90	Property development
Guangzhou Huizhao Business Services Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Guangzhou Zhongyu Property Development Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development

19. Interests in Joint Ventures/Balances with Joint Ventures *(continued)*

Particulars of the Group's principal joint ventures as at 31 December 2014 are as follows: *(continued)*

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Chengyu Real Estate Development Limited ("Guangzhou Chengyu")#β	Registered capital of RMB1 each	PRC	50	50	50	Investment holding
Beijing Chuangyu Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Beijing Liangyu Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Chengdu Hengyu Real Estate Development Limited ("Chengdu Hengyu")#β	Registered capital of RMB1 each	PRC	33.3	33.3	33.3	Investment holding
Guangzhou Suirong Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	33.3	33.3	33.3	Property development
Suzhou Yujing Real Estate Development Limited ("Suzhou Yujing")#β (ii)	Registered capital of RMB1 each	PRC	51	50	51	Property development
Guangxi Hejing Real Estate Development Limited ("Guangxi Hejing")#β (iii)	Registered capital of RMB1 each	PRC	87	50	87	Property development
Guangzhou Dongling Property Management Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Guangzhou Bairui Property Limited#β	Registered capital of RMB1 each	PRC	25	25	25	Property development
Guangzhou Langyu Real Estate Development Limited ("Guangzhou Langyu")#β (iv)	Registered capital of RMB1 each	PRC	100	50	90	Property development
Guangxi Hejinghengfu Investment Limited ("Guangxi Hejinghengfu")#β (iii)	Registered capital of RMB1 each	PRC	100	50	87	Property development
Guangxi Hejingshengyu Real Estate Development Limited ("Guangxi Hejingshengyu")#β (iii)	Registered capital of RMB1 each	PRC	100	50	87	Property development
Guangzhou Fangyuanhuisheng Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	35	35	35	Property development

\# The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

β The statutory financial statements of these joint ventures are not audited by Ernst & Young Hong Kong or another member of the Ernst & Young global network.

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19. Interests in Joint Ventures/Balances with Joint Ventures *(continued)*

Notes:

(i) The board of directors of Suzhou Kaiyu consisted of 5 members, 4 of which were appointed by the Group, 1 of which was appointed by the non-controlling shareholder. A board resolution was passed to amend the articles of association of Suzhou Kaiyu, under which all major decisions of Suzhou Kaiyu require an unanimous agreement from all directors, hence the Group no longer has sole control, but has joint control over Suzhou Kaiyu, and accordingly, Suzhou Kaiyu is accounted for as a joint venture thereafter.

(ii) The board of directors of Suzhou Yujing consisted of 2 members, 1 of which was appointed by the Group, 1 of which was appointed by the non-controlling shareholder. A board resolution was passed to amend the articles of association of Suzhou Yujing, under which all major decisions of Suzhou Yujing require an unanimous agreement from all directors, hence the Group no longer has unilateral control, but has joint control over Suzhou Yujing, and accordingly, Suzhou Yujing is accounted for as a joint venture thereafter.

(iii) The board of directors of Guangxi Hejing, Guangxi Hejinghengfu and Guangxi Hejingshengyu consisted of 3 members, 2 of which were appointed by the Group, 1 of which was appointed by the non-controlling shareholder. In accordance with an agreement with the non-controlling shareholder, all major decisions of Guangxi Hejing, Guangxi Hejinghengfu and Guangxi Hejingshengyu require an unanimous agreement from all directors, hence, the Group does not have unilateral control, but has joint control over Guangxi Hejing, Guangxi Hejinghangfu and Guangxi Hejingshengyu, and accordingly, Guangxi Hejing, Guangxi Hejinghengfu and Guangxi Hejingshengyu are accounted for as joint ventures.

(iv) The Group had entered into certain profit sharing arrangements with an independent third party, under which certain major financial and operational decisions of Guangzhou Langyu have to be agreed by the counterparty. Besides, the counterparty is entitled to share 10% of the adjusted profit (calculated in accordance with the terms of the profit sharing agreement) of Guangzhou Langyu. As a result, the Group does not have unilateral control over Guangzhou Langyu and accordingly, Guangzhou Langyu is accounted for as a joint venture.

The above investments in joint ventures are indirectly held by the Company through wholly-owned subsidiaries, except for Shanghai Chengtou Yuecheng, which is a subsidiary of a directly held joint venture.

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

Guangzhou Fujing which is considered a material joint venture of the Group, acts as property development company in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Guangzhou Fujing adjusted for any differences in accounting policies:

	2014	2013
	RMB'000	RMB'000
Total assets	**12,829,394**	7,897,392
Total liabilities	**(6,516,584)**	(3,749,709)
Profit and total comprehensive income for the year	**2,165,126**	1,450,480

19. Interests in Joint Ventures/Balances with Joint Ventures *(continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2014 **RMB'000**	2013 RMB'000
Share of the joint ventures' profit for the year	**826,306**	404,035
Share of the joint ventures' other comprehensive (loss)/income	**(7,164)**	32,038
Share of the joint ventures' total comprehensive income	**819,142**	436,073
Aggregate carrying amount of the Group's investments in the joint ventures	**14,518,166**	11,847,542

Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

20. Properties Under Development

	Group	
	2014 **RMB'000**	2013 RMB'000
Properties under development expected to be recovered:		
Within one year	**13,975,722**	13,840,010
After more than one year	**8,922,581**	5,083,956
	22,898,303	18,923,966

The Group's properties under development were located in the PRC.

During the year ended 31 December 2014, certain of the Group's properties under development with aggregate carrying value of approximately RMB178,020,000 (2013: approximately RMB340,081,000) (note 15) were transferred to investment properties.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB13,489,586,000 (2013: approximately RMB9,034,845,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

Included in the Group's properties under development as at 31 December 2014 were land costs with an aggregate net carrying amount of approximately RMB223,150,000 (2013: approximately RMB928,381,000) in which the Group has not yet obtained land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 147 of the annual report.

21. Completed Properties Held for Sale

The Group's completed properties held for sale are located in the PRC. All completed properties held for sale are stated at cost.

During the year ended 31 December 2014, certain of the Group's completed properties held for sale with aggregate carrying value of approximately RMB38,368,000 (2013: Nil) (note 15) were transferred to investment properties.

At 31 December 2013, certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB27,936,000 were pledged to secure general banking facilities granted to the Group (note 37(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 147 of the annual report.

22. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 3 months	**187,267**	152,260
4 to 6 months	**8,547**	854
7 to 12 months	**8,694**	2,119
Over 1 year	**12,809**	11,462
	217,317	166,695

An aging analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**195,814**	153,114
1 to 6 months past due	**21,503**	13,581
	217,317	166,695

The Group's trade receivables relate to a large number of diversified customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there was no recent history of default and the balances are still considered fully recoverable.

23. Prepayments, Deposits and Other Receivables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**542,760**	444,955	**46,671**	68,014
Deposits and other receivables	**1,327,161**	1,864,308	**122,841**	119,078
	1,869,921	2,309,263	**169,512**	187,092

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. Taxes Recoverable/Taxes Payable

(a) Taxes recoverable

	Group	
	2014	2013
	RMB'000	RMB'000
Prepaid CIT	**36,015**	38,043
Prepaid LAT	**132,149**	117,557
	168,164	155,600

(b) Taxes payable

	Group	
	2014	2013
	RMB'000	RMB'000
CIT payable	**1,448,970**	1,103,382
LAT payable	**2,484,356**	2,631,818
	3,933,326	3,735,200

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25. Cash and Cash Equivalents and Restricted Cash

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**5,278,060**	5,863,515	**260,892**	183,972
Time deposits		**5,593,075**	4,995,211	**–**	195,417
		10,871,135	10,858,726	**260,892**	379,389
Less: Restricted cash	(a)	**(776,897)**	(1,444,243)	**–**	–
Cash and cash equivalents		**10,094,238**	9,414,483	**260,892**	379,389
Denominated in RMB	(b)	**10,350,166**	9,987,039	**7,395**	1,677
Denominated in other currencies		**520,969**	871,687	**253,497**	377,712
		10,871,135	10,858,726	**260,892**	379,389

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties. As at 31 December 2014, such guarantee deposits amounted to approximately RMB776,897,000 (2013: approximately RMB1,444,243,000).

(b) The RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for one day to three months and earn interest at the respective short term time deposit rates.

26. Trade and Bills Payables

An ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Due within one year or on demand	**2,693,611**	3,333,315

The trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months.

27. Other Payables and Accruals

		Group		Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits received and receipts in advance		**4,475,383**	5,699,184	**–**	–
Other payables and accruals		**2,765,093**	2,738,989	**389,872**	304,195
Deferred income	(a)	**14,080**	14,105	**–**	–
		7,254,556	8,452,278	**389,872**	304,195

Note:

(a) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB25,000 (2013: approximately RMB1,076,000) had been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on terms of three to six months.

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28. Interest-bearing Bank and Other Borrowings

	Group					
	2014			2013		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– secured	**6.12–8.50**	**2015**	**1,513,233**	6.15–7.38	2014	914,584
– unsecured	**9.00–10.95**	**2015**	**999,938**	9.50	2014	500,000
– denominated in HK$, secured	**HIBOR+4.60–HIBOR+5.00**	**2015**	**372,039**	HIBOR+1.25–HIBOR+4.60	2014	147,296
Current portion of long-term bank loans						
– secured	**5.90–7.76**	**2015**	**514,889**	5.90–8.50	2014	1,373,931
– denominated in HK$, secured	**HIBOR+4.30**	**2015**	**33,963**	HIBOR+4.30–HIBOR+5.00	2014	121,707
– denominated in US$, secured	**LIBOR+4.30**	**2015**	**31,274**	LIBOR+4.30	2014	7,492
			3,465,336			3,065,010
Non-current						
Bank loans						
– secured	**5.90–11.50**	**2016–2029**	**10,903,632**	5.90–8.50	2015–2026	8,986,952
– denominated in HK$, secured	**HIBOR+4.30**	**2016**	**50,764**	HIBOR+4.30–HIBOR+5.00	2015–2016	456,249
– denominated in US$, secured	**LIBOR+4.30**	**2016**	**50,438**	LIBOR+4.30	2016	82,260
– unsecured	**–**	**–**	**–**	9.00	2015	500,000
Senior notes						
– denominated in US$, secured (i)	**8.25–13.25**	**2017–2020**	**10,042,883**	8.625–13.25	2016–2020	7,814,895
			21,047,717			17,840,356
			24,513,053			20,905,366

28. Interest-bearing Bank and Other Borrowings *(continued)*

	Company					
	2014			2013		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– denominated in HK$, secured	**HIBOR+4.60 –HIBOR+5.00**	**2015**	**372,039**	HIBOR+4.30– HIBOR+4.60	2014	107,109
Current portion of long-term bank loans						
– denominated in HK$, secured	**HIBOR+4.30**	**2015**	**33,963**	HIBOR+4.30– HIBOR+5.00	2014	121,707
– denominated in US$, secured	**LIBOR+4.30**	**2015**	**31,274**	LIBOR+4.30	2014	7,492
			437,276			236,308
Non-current						
Bank loans						
– denominated in HK$, secured	**HIBOR+4.30**	**2016**	**50,764**	HIBOR+4.30– HIBOR+5.00	2015–2016	456,249
– denominated in US$, secured	**LIBOR+4.30**	**2016**	**50,438**	LIBOR+4.30	2016	82,260
Senior notes						
– denominated in US$, secured (i)	**8.25–13.25**	**2017–2020**	**10,042,883**	8.625–13.25	2016–2020	7,814,895
			10,144,085			8,353,404
			10,581,361			8,589,712

28. Interest-bearing Bank and Other Borrowings *(continued)*

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**3,465,336**	3,065,010	**437,276**	236,308
In the second year	**4,137,162**	4,178,880	**101,202**	437,645
In the third to fifth years, inclusive	**4,129,983**	3,323,499	**–**	100,864
Beyond five years	**2,737,689**	2,523,082	**–**	–
	14,470,170	13,090,471	**538,478**	774,817
Senior notes repayable:				
In the third to fifth years, inclusive	**8,446,705**	6,010,787	**8,446,705**	6,010,787
Beyond five years	**1,596,178**	1,804,108	**1,596,178**	1,804,108
	10,042,883	7,814,895	**10,042,883**	7,814,895
	24,513,053	20,905,366	**10,581,361**	8,589,712

Certain of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 37.

Except for the above mentioned borrowings denominated in HK$ and US$, all borrowings were denominated in RMB as at the end of the reporting period.

Note:

(i) On 11 August 2010, the Company issued 12.5% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,693,123,000) ("the 2010 Notes"). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 18 August 2017. The senior notes carry interest at a rate of 12.5% per annum, which is payable semi-annually in arrears on 18 February and 18 August of each year commencing on 18 February 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 12 August 2010 and 19 August 2010. On 30 August 2014, the Company redeemed the 2010 Notes in full at a redemption price of 106.250% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 August 2014. For further details, please refer to the related announcements of the Company dated 31 July 2014 and 3 September 2014.

On 23 March 2011, the Company issued 12.75% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,296,035,000) ("the 2011 Notes"). The 2011 Notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 30 March 2016. The 2011 Notes carry interest at a rate of 12.75% per annum, which is payable semi-annually in arrears on 30 March and 30 September of each year commencing on 30 September 2011. For further details on the 2011 Notes, please refer to the related announcements of the Company dated 23 March 2011, 24 March 2011 and 30 March 2011. On 30 March 2014, the Company redeemed the 2011 Notes in full at a redemption price of 106.375% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 March 2014. For further details, please refer to the related announcements of the Company dated 28 February 2014 and 31 March 2014.

On 22 March 2012, the Company issued 13.25% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,520,160,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 22 March 2017. The senior notes carry interest at a rate of 13.25% per annum, which is payable semi-annually in arrears on 22 March and 22 September of each year commencing on 22 September 2012. For further details on the senior notes, please refer to the related announcements of the Company dated 14 March 2012, 16 March 2012 and 23 March 2012.

28. Interest-bearing Bank and Other Borrowings *(continued)*

Note: *(continued)*

(i) *(continued)*

On 29 January 2013, the Company issued 8.625% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,885,530,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 February 2020. The senior notes carry interest at a rate of 8.625% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 August 2013. For further details on the senior notes, please refer to the related announcements of the Company dated 29 January 2013, 30 January 2013 and 5 February 2013.

On 7 January 2014, the Company issued 8.975% senior notes with an aggregate principal amount of US$600,000,000 (equivalent to approximately RMB3,662,520,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 14 January 2019. The senior notes carry interest at a rate of 8.975% per annum, which is payable semi-annually in arrears on 14 January and 14 July of each year commencing on 14 July 2014. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2014, 8 January 2014 and 14 January 2014.

On 30 March 2014, the Company redeemed the outstanding 2011 Notes in full at a redemption price to 106.375% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 March 2014. For further details, please refer to the related announcement of the Company dated 28 February 2014 and 31 March 2014.

On 29 July 2014, the Company issued 8.25% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,464,600,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 August 2019. The senior notes carry interest at a rate of 8.25% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 February 2015. For further details on the senior notes, please refer to the related announcements of the Company dated 29 July 2014, 30 July 2014 and 5 August 2014.

On 31 July 2014, the Company announced that the outstanding 2010 Notes would be redeemed in full on 30 August 2014 at a redemption price of 106.250% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 August 2014. For further details, please refer to the related announcement of the Company dated 31 July 2014.

29. Deferred Tax

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

Deferred tax liabilities

Group

			2014		
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2014	**47,675**	**38,214**	**982,833**	**139,720**	**1,208,442**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**9,662**	**(5,194)**	**174,144**	**–**	**178,612**
Gross deferred tax liabilities at 31 December 2014	**57,337**	**33,020**	**1,156,977**	**139,720**	**1,387,054**

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29. Deferred Tax *(continued)*

Deferred tax assets

Group

	2014					
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2014	**1,378**	**939,018**	**92,840**	**257,955**	**3,526**	**1,294,717**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**252**	**171,390**	**77,695**	**(94,839)**	**(6)**	**154,492**
Others	**–**	**–**	**(15)**	**–**	**–**	**(15)**
Gross deferred tax assets at 31 December 2014	**1,630**	**1,110,408**	**170,520**	**163,116**	**3,520**	**1,449,194**
Net deferred tax recognised at 31 December 2014						**62,140**

Deferred tax liabilities

Group

	2013				
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2013	36,802	38,214	848,019	139,720	1,062,755
Deferred tax charged to the statement of profit or loss during the year (note 10)	10,873	–	134,814	–	145,687
Gross deferred tax liabilities at 31 December 2013	47,675	38,214	982,833	139,720	1,208,442

29. Deferred Tax *(continued)*

Deferred tax assets

Group

	2013					
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2013	2,177	846,707	71,812	289,844	3,795	1,214,335
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(799)	92,311	21,111	(31,889)	(269)	80,465
Derecognition of a subsidiary (note 35(i))	–	–	(83)	–	–	(83)
Gross deferred tax assets at 31 December 2013	1,378	939,018	92,840	257,955	3,526	1,294,717
Net deferred tax recognised at 31 December 2013						86,275

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

	Group	
	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,075,366**	995,798
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,013,226)**	(909,523)
	62,140	86,275

The Group has unutilised tax losses of approximately RMB2,107,732,000 (2013: approximately RMB1,044,216,000) that can be carried forward for five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB1,425,652,000 (2013: approximately RMB672,856,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

29. Deferred Tax *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2014, unremitted earnings that are subjected to withholding taxes of the Group's subsidiaries established in PRC of approximately RMB4,675,045,000 (2013: approximately RMB3,230,191,000) have not been recognised for withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Deferred Revenue

The Group entered into an agreement with the vendor (the "Vendor A") on 17 September 2009, pursuant to which the Group should pay a cash consideration of RMB100,000,000, and transfer certain apartments and the Group's entire equity interest in a new company to be established by the Group under the laws of the PRC, which will hold certain properties to be built by the Group on a portion of the land of Guangzhou Lihe (collectively, the "Transfer Properties A") of RMB700,000,000 to the Vendor A, in exchange for the entire equity interest in Guangzhou Lihe. The exchange of the Transfer Properties A is accounted for as a transaction which generates revenue. As at 31 December 2013, the Transfer Properties A had been transferred to the Vendor A. Accordingly, the above deferred revenue was recognised upon the delivery of the Transfer Properties A.

The Group entered into another agreement with another vendor (the "Vendor B") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties B") of RMB11,000,000 to Vendor B, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties B is accounted for as a transaction which generates revenue. During the year ended 31 December 2014, the Group entered into a supplemental agreement with Vender B, pursuant to which the Group paid certain cash consideration to Vender B in replace of transferring partial apartments and car parking spaces to Vender B. As at 31 December 2014, the remaining apartments and car parking spaces had not been transferred to Vendor B. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the remaining parts of Transfer Properties B.

31. Share Capital

Shares

	2014		2013	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.10 each	**8,000,000,000**	**786,113**	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**2,946,234,908**	**284,706**	2,893,150,000	280,485

31. Share Capital *(continued)*

Shares *(continued)*

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2013, 31 December 2013 and 1 January 2014	2,893,150,000	280,485	6,615,724	6,896,209
Share issued as scrip dividend during the year	53,084,908	4,221	190,929	195,150
At 31 December 2014	2,946,234,908	284,706	6,806,653	7,091,359

32. Share Option Scheme

Pursuant to a written resolution of the shareholders of the Company on 11 June 2007, the Scheme was conditionally approved. On 3 July 2007, the aforesaid approval of the Scheme became unconditional and effective as the Company's shares were listed on the Stock Exchange of Hong Kong Limited. The Scheme is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's directors, including independent non-executive directors, any full-time or part-time employees of the Group, suppliers, customers, advisers, consultants and agents to the Group. Upon becoming effective, the Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company in issue immediately following completion of the global offering and the capitalisation issue of the Company's shares in 2007. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

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32. Share Option Scheme *(continued)*

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange of Hong Kong Limited closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

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

On 18 December 2009 and 26 August 2011, the Company granted 8,457,000 and 7,351,000 share options, respectively, to the grantees, including the board of directors of the Company and certain employees of the Group. Total of 5,729,000 (2013: 1,238,000) share options were forfeited during the year and subsequently cancelled or lapsed and none of the share options were exercised by the grantees as at the date of approval of these financial statements.

The exercise prices of the outstanding share options granted on 18 December 2009 and 26 August 2011 were HK$6.24 and HK$4.49 per share, respectively.

The closing prices of the Company's shares on 18 December 2009 and 26 August 2011, the dates of grant, were HK$6.23 and HK$4.32 per share, respectively.

The share options granted to the executive directors of the Company and employees of the Company and its subsidiaries are exercisable during the following periods:

Share options granted on 18 December 2009

(i) up to 25% of the share options granted to each grantee at any time after the expiration of 12 months from 18 December 2009;

(ii) up to 50% of the share options granted to each grantee at any time after the expiration of 24 months from 18 December 2009;

(iii) up to 75% of the share options granted to each grantee at any time after the expiration of 36 months from 18 December 2009;

(iv) all the share options granted to each grantee at any time after the expiration of 48 months from 18 December 2009;

and, in each case, not later than 17 December 2014.

The share options granted to the independent non-executive directors of the Company are exercisable at any time prior to 17 December 2014.

32. Share Option Scheme *(continued)*

Share options granted on 26 August 2011

(i) up to 25% of the share options granted to each grantee at any time after the expiration of 12 months from 26 August 2011;

(ii) up to 50% of the share options granted to each grantee at any time after the expiration of 24 months from 26 August 2011;

(iii) up to 75% of the share options granted to each grantee at any time after the expiration of 36 months from 26 August 2011;

(iv) all the share options granted to each grantee at any time after the expiration of 48 months from 26 August 2011;

and, in each case, not later than 25 August 2016.

The share options granted to the independent non-executive directors of the Company are exercisable at any time prior to 25 August 2016.

HK$1.00 is payable for acceptance of grant of share options by each grantee.

The fair values of the share options granted on 18 December 2009 and 26 August 2011 determined at the date of grant using the Models were approximately RMB19,938,000 and RMB6,696,000, respectively. The Group recognised a share option expense of approximately RMB569,000 (2013: approximately RMB1,393,000) during the year ended 31 December 2014.

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 26 August 2011	**Options granted on 18 December 2009**
Grant date share price	HK$4.32	HK$6.23
Exercise price	HK$4.49	HK$6.24
Expected life	5 years	5 years
Expected volatility	66%	63%–69%
Expected dividend yield (%)	3.11%	1.48%
Risk-free interest rate (%)	0.79%	0.72%–1.21%

32. Share Option Scheme *(continued)*

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

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

The Models have been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

At each reporting date, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the statement of profit or loss, with a corresponding adjustment to the equity-settled share option reserve.

As at 31 December 2014, the Company had 5,911,000 (2013: 11,640,000) share options outstanding under the Scheme, which had a weighted average exercise price of HK$4.49 (2013: HK$5.28) per share. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,911,000 additional ordinary shares of the Company and additional share capital of approximately HK$591,000 (equivalent to approximately RMB466,000) and share premium of approximately HK$25,949,000 (equivalent to approximately RMB20,470,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 5,911,000 share options outstanding under the Scheme, which represented approximately 0.20% of the Company's shares in issue at that date.

33. Reserves

(a) Group

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

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percentage of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2014, the Group appropriated approximately RMB152,024,000 (2013: approximately RMB137,308,000) to these reserve funds in accordance with the relevant laws and regulations in the PRC.

33. Reserves *(continued)*

(b) Company

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2013		6,615,724	308,006	(994,467)	25,478	31,521	5,986,262
Share option expense	32	–	–	–	1,393	–	1,393
Profit for the year		–	–	–	–	925,430	925,430
Exchange realignment		–	–	(115,385)	–	–	(115,385)
Proposed final 2013 dividend	12	–	–	–	–	(839,014)	(839,014)
At 31 December 2013 and 1 January 2014		6,615,724	308,006	(1,109,852)	26,871	117,937	5,958,686
Share option expense	32	**–**	**–**	**–**	**569**	**–**	**569**
Transfer of equity-settled share option reserve upon the forfeiture or expiry of share options		**–**	**–**	**–**	**(21,628)**	**13,466**	**(8,162)**
Profit for the year		**–**	**–**	**–**	**–**	**928,481**	**928,481**
Exchange realignment		**–**	**–**	**17,781**	**–**	**–**	**17,781**
Shares issued as scrip dividend during the year	31	**190,929**	**–**	**–**	**–**	**–**	**190,929**
Proposed final 2014 dividend	12	**–**	**–**	**–**	**–**	**(972,258)**	**(972,258)**
At 31 December 2014		**6,806,653**	**308,006**	**(1,092,071)**	**5,812**	**87,626**	**6,116,026**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefore.

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

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34. Investments in Joint Operations

The Group has entered into three (2013: three) joint venture arrangements in the form of joint operations with certain parties, to jointly undertake three (2013: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2014, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Assets	**2,572,772**	2,432,395
Liabilities	**(199,051)**	(285,732)

35. Notes to the Consolidated Statement of Cash Flows

Derecognition of subsidiaries

(i) During the year ended 31 December 2013, the Group lost sole control of Suzhou Yujing and Suzhou Yujing was derecognised as a subsidiary of the Group, further details of which are disclosed in note 19(ii) to the financial statements.

The net assets of Suzhou Yujing as at the date of derecognition were as follows:

	2013
	RMB'000
Cash and bank balances	324,015
Properties under development	480,292
Prepayment, deposits and other receivables	82,607
Property, plant and equipment	12
Deferred tax assets	83
Trade payables	(75)
Other payables and accruals	(187,227)
Taxes payable	(631)
Interest-bearing bank and other borrowings	(600,000)
Net assets value derecognised	99,076

An analysis of the net cash outflow of cash and cash equivalents respect of the derecognition of Suzhou Yujing is as follows:

	2013
	RMB'000
Cash and bank balances derecognised	324,015
Net cash outflow of cash and cash equivalents in respect of the derecognition of Suzhou Yujing	324,015

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

Derecognition of subsidiaries *(continued)*

(ii) During the year ended 31 December 2013, the Group lost sole control of Guangzhou Chengyu, and Guangzhou Chengyu was derecognised as a subsidiary of the Group.

The net assets of Guangzhou Chengyu as at the date of derecognition were as follows:

	2013 RMB'000
Cash and bank balances	30,000
Net assets value derecognised	30,000

An analysis of the net cash outflow of cash and cash equivalents respect of the derecognition of Guangzhou Chengyu is as follows:

	2013 RMB'000
Cash and bank balances derecognised	30,000
Net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Chengyu	30,000

(iii) During the year ended 31 December 2013, the Group lost sole control of Chengdu Hengyu, and Chengdu Hengyu was derecognised as a subsidiary of the Group.

The net assets of Chengdu Hengyu as at the date of derecognition were as follows:

	2013 RMB'000
Cash and bank balances	32,059
Properties under development	1,151,518
Prepayment, deposits and other receivables	747,884
Other payables and accruals	(1,903,062)
Net assets value derecognised	28,399

An analysis of the net cash outflow of cash and cash equivalents respect of the derecognition of Chengdu Hengyu is as follows:

	2013 RMB'000
Cash and bank balances derecognised	32,059
Net cash outflow of cash and cash equivalents in respect of the derecognition of Chengdu Hengyu	12,083

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36. Contingent Liabilities

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

		Group	
		2014	2013
	Note	**RMB'000**	RMB'000
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	(a)	**5,103,170**	4,846,403
Guarantees given to banks in connection with bank loans granted to joint ventures		**2,801,930**	4,360,992
Guarantee given to a bank in connection with a bank loan granted to an associate		**50,400**	28,626
		7,955,500	9,236,021

Note:

(a) As at 31 December 2014 and 2013, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2014 and 2013 for the guarantees.

	Company	
	2014	2013
	RMB'000	RMB'000
Guarantees given to banks in connection with bank loans granted to subsidiaries	**7,885,317**	6,770,000
Guarantees given to banks in connection with bank loans granted to joint ventures	**1,319,505**	3,504,334
	9,204,822	10,274,334

37. Pledge of Assets

(a) At the end of the reporting period, the following assets of the Group were pledged to certain banks to secure general banking facilities granted to the Group:

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Buildings	14	**2,388,222**	2,394,365
Investment properties	15	**3,499,864**	3,313,453
Land use rights	16	**155,555**	158,770
Properties under development	20	**13,489,586**	9,034,845
Completed properties held for sale	21	**–**	27,936
		19,533,227	14,929,369

(b) As at 31 December 2014 and 2013, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.

(c) As at 31 December 2014 and 2013, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

38. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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38. Operating Lease Arrangements *(continued)*

(a) As lessor *(continued)*

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**140,792**	117,682
In the second to fifth years, inclusive	**237,021**	229,139
After five years	**8,001**	22,899
	385,814	369,720

(b) As lessee

The Group and the Company lease certain of their office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 6 months to 4 years.

At 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**17,265**	10,891	**3,811**	2,941
In the second to fifth years, inclusive	**15,777**	5,660	**3,101**	5,334
	33,042	16,551	**6,912**	8,275

39. Commitments

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**237,833**	173,243
Properties being developed by the Group for sale	**3,682,172**	4,652,122
Investment properties	**293,569**	644,723
	4,213,574	5,470,088

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for	**2,329,502**	2,311,448

The Company did not have any significant capital commitment at the end of the reporting period.

40. Related Party Transactions

(a) Outstanding balances with related parties

Details of the Group's balances with its associates and joint ventures are included in notes 18 and 19 to the financial statements, respectively.

(b) Other transactions with related parties

Details of guarantees given by the Group and the Company to banks in connection with bank loans granted to an associate and joint ventures are included in note 36 to the financial statements.

(c) Compensation of key management personnel of the Group

	2014	2013
	RMB'000	RMB'000
Short term employee benefits	**42,036**	39,042
Equity-settled share option expense	**226**	267
Post-employment benefits	**654**	569
Total compensation paid to key management personnel	**42,916**	39,878

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

41. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Loans and receivables

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Trade receivables	22	**217,317**	166,695
Financial assets included in prepayments, deposits and other receivables	23	**1,327,161**	1,864,308
Advances to associates	18	**710,466**	679,751
Advances to joint ventures	19	**5,900,386**	4,297,845
Due from a joint venture	19	**54**	23
Restricted cash	25	**776,897**	1,444,243
Cash and cash equivalents	25	**10,094,238**	9,414,483
		19,026,519	17,867,348

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41. Financial Instruments by Category *(continued)*

Financial liabilities – Financial liabilities at amortised cost

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Trade and bills payables	26	**2,693,611**	3,333,315
Financial liabilities included in other payables and accruals	27	**2,765,093**	2,738,989
Due to joint ventures	19	**11,700,785**	6,401,540
Interest-bearing bank and other borrowings	28	**24,513,053**	20,905,366
		41,672,542	33,379,210

Financial assets – Loans and receivables

		Company	
		2014	2013
	Notes	**RMB'000**	RMB'000
Due from subsidiaries included in interests in subsidiaries	17	**11,512,537**	10,616,651
Advances to associates	18	**379,132**	349,360
Advances to joint ventures	19	**816,420**	729,557
Financial assets included in prepayments, deposits and other receivables	23	**122,841**	119,078
Due from a subsidiary	17	**3,962,106**	2,717,979
Cash and cash equivalents	25	**260,892**	379,389
		17,053,928	14,912,014

Financial liabilities – Financial liabilities at amortised cost

		Company	
		2014	2013
	Notes	**RMB'000**	RMB'000
Financial liabilities included in other payables and accruals	27	**389,872**	304,195
Due to joint ventures	19	**515,666**	772,636
Interest-bearing bank and other borrowings	28	**10,581,361**	8,589,712
		11,486,899	9,666,543

42. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts 2014 RMB'000	Fair values 2014 RMB'000
Financial liabilities:		
Interest-bearing bank and other borrowings	**24,513,053**	**24,389,382**

Company

	Carrying amounts 2014 RMB'000	Fair values 2014 RMB'000
Financial liabilities:		
Interest-bearing bank and other borrowings	**10,581,361**	**10,456,207**

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, associates and joint ventures approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

The Group and the Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2014 and 2013.

42. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

During the years ended 31 December 2014 and 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	24,389,382	–	24,389,382

Company

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	10,456,207	–	10,456,207

43. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables, and advances to/amounts due from associates and joint ventures. The financial liabilities of the Group mainly include trade and bills payables, other payables and accruals, bank and other borrowings and amounts due to associates and joint ventures.

The carrying amounts of the Group's financial instruments, other than those disclosed in note 42, approximated to their fair values as at the end of each reporting period. Fair value estimates are made at a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Group conducts its operations in the PRC, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations in the property development industry.

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

		Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2014			
RMB	200	(200,625)	–
Hong Kong dollar	200	(6,480)	–
United States dollar	200	(1,246)	–
RMB	(200)	200,625	–
Hong Kong dollar	(200)	6,480	–
United States dollar	(200)	1,246	–

43. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk *(continued)*

	Group		
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013			
RMB	200	(192,563)	–
Hong Kong dollar	200	(11,444)	–
United States dollar	200	(1,752)	–
RMB	(200)	192,563	–
Hong Kong dollar	(200)	11,444	–
United States dollar	(200)	1,752	–

* Excluding retained profits

Foreign currency risk

The Group's businesses are located in the PRC and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB except for certain bank loans and bank balances denominated in Hong Kong dollars and senior notes denominated in United States dollars. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Group		
	Increase/ (decrease) in HK$ rate %	**Increase/ (decrease) in US$ rate %**	**Increase/ (decrease) in profit before tax RMB'000**
2014			
If RMB weakens against Hong Kong dollar	**(5)**	**N/A**	**(20,813)**
If RMB strengthens against Hong Kong dollar	**5**	**N/A**	**20,813**
If RMB weakens against United States dollar	**N/A**	**(5)**	**(482,217)**
If RMB strengthens against United States dollar	**N/A**	**5**	**482,217**

43. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk *(continued)*

	Group		
	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2013			
If RMB weakens against Hong Kong dollar	(5)	N/A	(31,903)
If RMB strengthens against Hong Kong dollar	5	N/A	31,903
If RMB weakens against United States dollar	N/A	(5)	(356,019)
If RMB strengthens against United States dollar	N/A	5	356,019

Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposits with state-owned banks in the PRC and high-credit rating banks in Hong Kong.

The carrying amounts of trade and other receivables and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligations of these purchasers for repayments. Detailed disclosure of these guarantees is made in note 36.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generating from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expects that the Group's net cash flows from operating activities and additional bank loans will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

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43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**2,081,335**	**3,314,880**	**20,905,394**	**5,036,491**	**31,338,100**
Trade and bills payables	**2,693,611**	**–**	**–**	**–**	**–**	**2,693,611**
Other payables and accruals	**2,765,093**	**–**	**–**	**–**	**–**	**2,765,093**
Due to joint ventures	**11,700,785**	**–**	**–**	**–**	**–**	**11,700,785**
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	**5,103,170**	**–**	**–**	**–**	**–**	**5,103,170**
Guarantee given to banks in connection with bank loans granted to joint ventures	**2,801,930**	**–**	**–**	**–**	**–**	**2,801,930**
Guarantee given to a bank in connection with a bank loan granted to an associate	**50,400**	**–**	**–**	**–**	**–**	**50,400**
	25,114,989	**2,081,335**	**3,314,880**	**20,905,394**	**5,036,491**	**56,453,089**

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,526,952	3,277,363	17,030,452	5,048,564	26,883,331
Trade payables	3,333,315	–	–	–	–	3,333,315
Other payables and accruals	2,738,989	–	–	–	–	2,738,989
Due to joint ventures	6,401,540	–	–	–	–	6,401,540
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	4,846,403	–	–	–	–	4,846,403
Guarantees given to banks in connection with bank loans granted to joint ventures	4,360,992	–	–	–	–	4,360,992
Guarantee given to a bank in connection with a bank loan granted to an associate	28,626	–	–	–	–	28,626
	21,709,865	1,526,952	3,277,363	17,030,452	5,048,564	48,593,196

43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

Company

	2014					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**345,624**	**1,128,364**	**11,306,360**	**1,607,945**	**14,388,293**
Other payables and accruals	**389,872**	**–**	**–**	**–**	**–**	**389,872**
Due to joint ventures	**515,666**	**–**	**–**	**–**	**–**	**515,666**
Guarantees given to banks in connection with bank loans granted to subsidiaries	**7,885,317**	**–**	**–**	**–**	**–**	**7,885,317**
Guarantees given to banks in connection with bank loans granted to joint ventures	**1,319,505**	**–**	**–**	**–**	**–**	**1,319,505**
	10,110,360	**345,624**	**1,128,364**	**11,306,360**	**1,607,945**	**24,498,653**

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	313,489	892,878	8,821,098	1,980,129	12,007,594
Other payables and accruals	304,195	–	–	–	–	304,195
Due to joint ventures	772,636	–	–	–	–	772,636
Guarantees given to banks in connection with bank loans granted to subsidiaries	6,770,000	–	–	–	–	6,770,000
Guarantees given to banks in connection with bank loans granted to joint ventures	3,504,334	–	–	–	–	3,504,334
	11,351,165	313,489	892,878	8,821,098	1,980,129	23,358,759

43. Financial Risk Management Objectives and Policies *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. Capital includes share capital and reserves attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Net borrowings	**13,641,918**	10,046,640
Total equity	**20,436,416**	17,842,162
Gearing ratio	**66.8%**	56.3%

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23 March 2015.

Project at a Glance

31 December 2014

Major Properties held by the Group

Property	The Group's interest (%)	Location	Site area attributable to the Group's interest ('000 sq.m.)	Total GFA attributable to the Group's interest ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
The Summit	100	Zengcheng City, Guangzhou	549	760	Residential, villas, serviced apartments, office and retail	N/A
The Sapphire	100	Xiangcheng District, Suzhou	286	767	Residential, serviced apartments and retail	N/A
Fragrant Seasons	100	Shunyi District, Beijing	425	475	Residential, villas, serviced apartments and retail	N/A
Pearl Coast	100	Lingshui, Hainan	531	133	Villas and residential	N/A
Shanghai Emerald	100	Jiading District, Shanghai	77	175	Residential and retail	N/A
Shanghai Apex	100	Jiading District, Shanghai	61	83	Residential, serviced apartments and retail	N/A
Major properties under development						
Chengdu Cosmos	100	South New District, Chengdu	117	643	Residential, serviced apartments, office, hotel and retail	2015–2017
The Summit	100	Zengcheng, Guangzhou	1,422	1,968	Residential, villas, serviced apartments, office and retail	2015–2018
Pudong Project	100	Pudong New District, Shanghai	26	78	Office and retail	2015–2016
Vision of the World	100	Nanqiao New Town, Shanghai	104	236	Residential, serviced apartments and retail	2015–2016
Guangzhou Ta Gang Project	100	Zengcheng, Guangzhou	137	344	Residential, villas and retail	2015–2017
Beijing Tongzhou I	100	Tongzhou District, Beijing	18	128	Serviced apartments, office and retail	2015–2018
Beijing Tongzhou II	100	Tongzhou District, Beijing	17	125	Serviced apartments, office and retail	2015–2018

Property	The Group's interest (%)	Usage	
Major investment properties			
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and retail	Medium term lease

Five Year Financial Summary

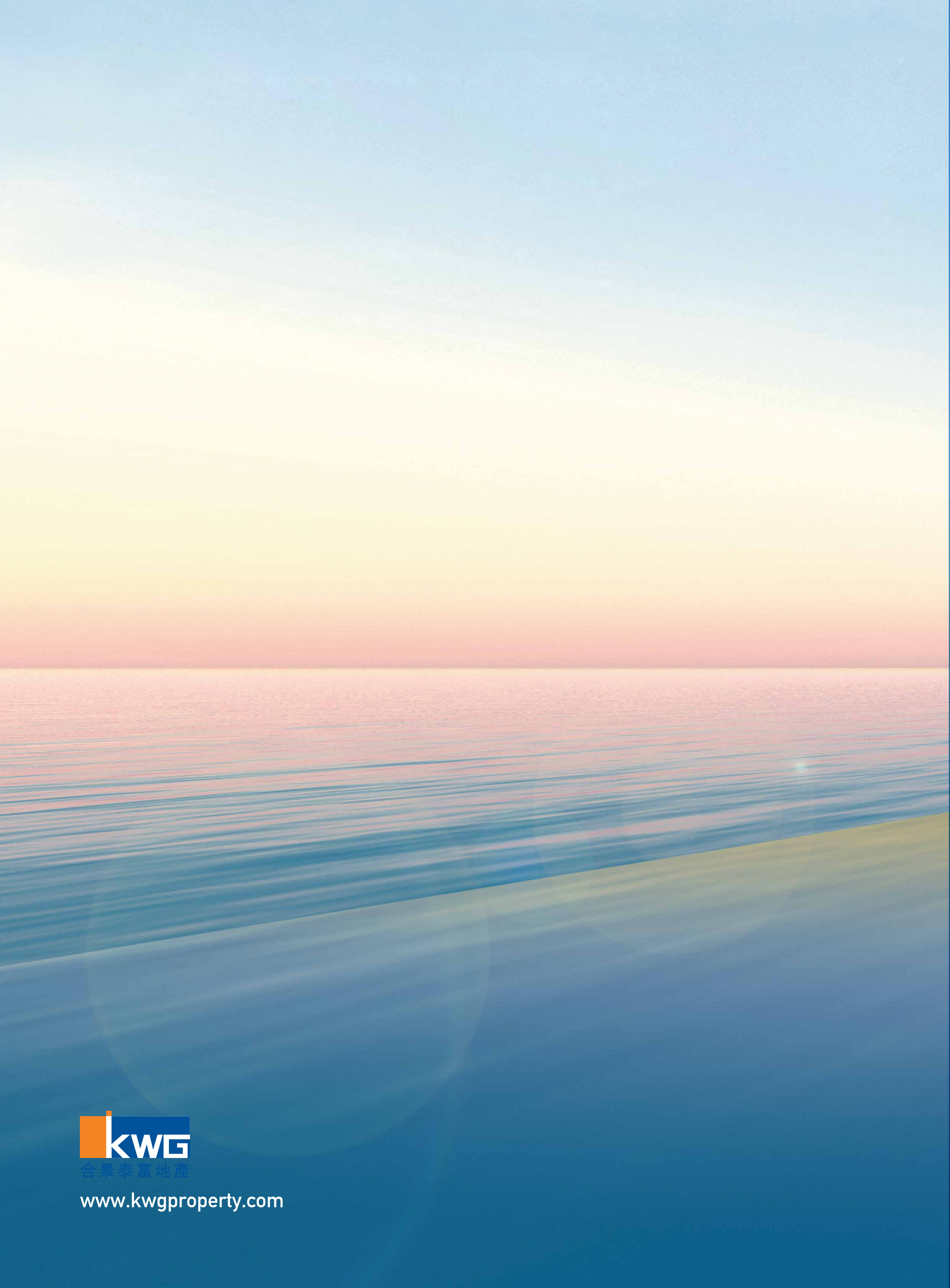
A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Consolidated Results

	Year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenue	7,465,911	10,122,595	9,676,422	9,468,002	**10,465,788**
Profit before tax	2,507,663	3,979,935	3,765,987	3,703,803	**4,645,572**
Income tax expenses	(1,225,889)	(1,876,028)	(1,333,017)	(954,550)	**(1,377,431)**
Profit for the year	1,281,774	2,103,907	2,432,970	2,749,253	**3,268,141**
Attributable to:					
Owners of the Company	1,281,772	2,103,368	2,406,368	2,749,769	**3,272,225**
Non-controlling interests	2	539	26,602	(516)	**(4,084)**
	1,281,774	2,103,907	2,432,970	2,749,253	**3,268,141**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	RMB44 cents	RMB73 cents	RMB83 cents	RMB95 cents	**RMB112 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
ASSETS					
Non-current assets	15,114,217	16,462,845	19,165,733	25,139,681	**30,035,002**
Current assets	24,920,115	28,123,458	29,698,727	36,450,703	**41,512,013**
Total assets	40,034,332	44,586,303	48,864,460	61,590,384	**71,547,015**
LIABILITIES					
Current liabilities	15,431,641	18,990,505	18,894,983	24,987,343	**28,047,614**
Non-current liabilities	13,008,419	11,902,780	14,616,098	18,760,879	**23,062,985**
Total liabilities	28,440,060	30,893,285	33,511,081	43,748,222	**51,110,599**
EQUITY					
Equity attributable to owners of the Company	11,584,266	13,490,805	15,281,531	17,817,508	**20,415,846**
Non-controlling interests	10,006	202,213	71,848	24,654	**20,570**
Total equity	11,594,272	13,693,018	15,353,379	17,842,162	**20,436,416**



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