

Sino-Ocean Land (Perpetual Finance) Limited

(Incorporated in British Virgin Island with limited liability)

The Board of Directors of Sino-Ocean Land (Perpetual Finance) Limited (the “Company”) announces that Sino-Ocean Land Holdings Limited, the Company’s parent company, has released its annual report for the year ended 31 December 2013 (the “2013 Annual Report”) and the 2013 Annual Report as attached has been posted on the websites of The Stock Exchange of Hong Kong Limited and Sino-Ocean Land Holdings Limited.

By Order of the Board

Sino-Ocean Land (Perpetual Finance) Limited

SUM Pui Ying

Director

4 April 2014



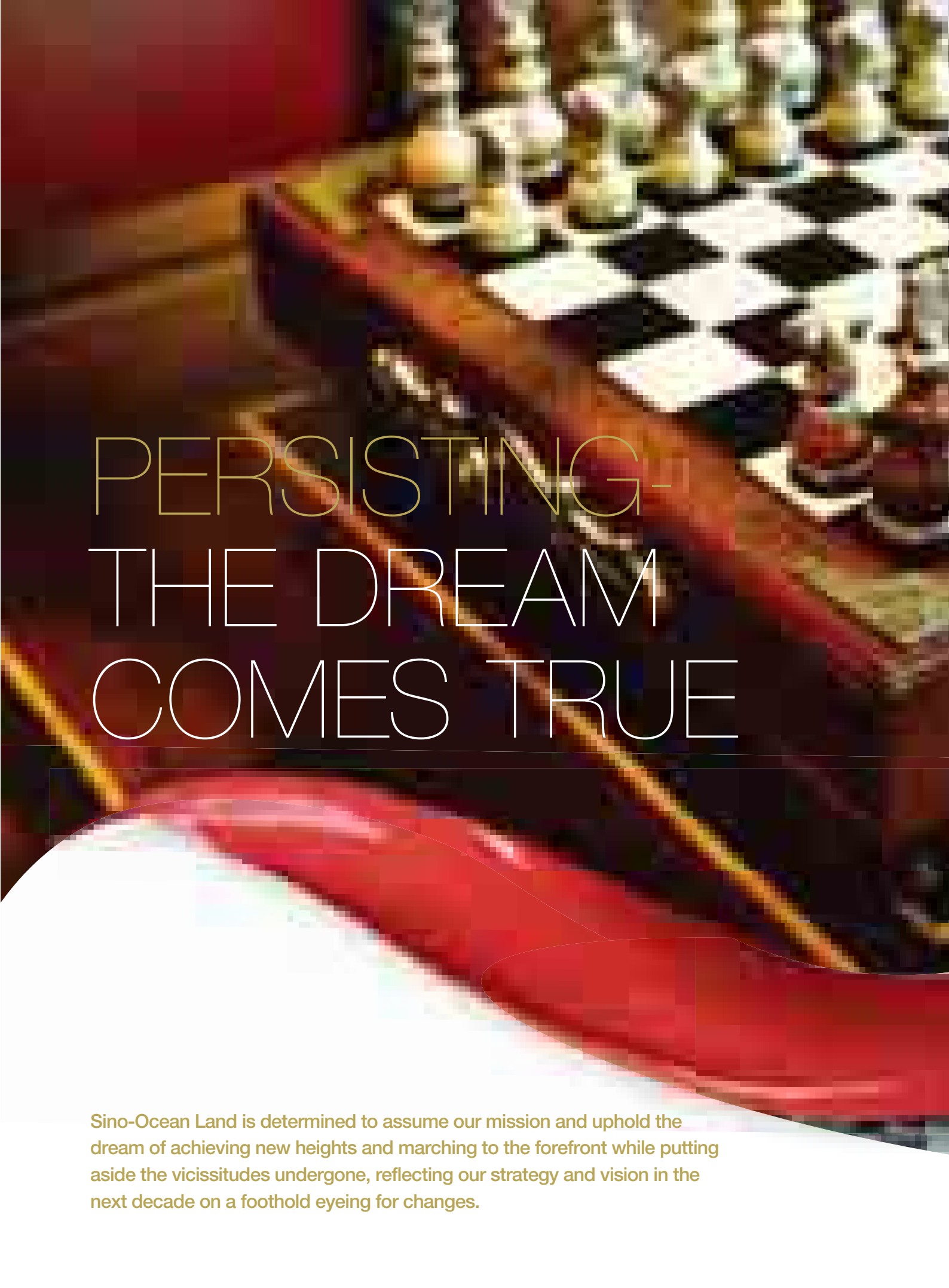
远洋地产

遠洋地產控股有限公司
Sino-Ocean Land Holdings Limited

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)
(Stock Code: 03377)

Annual Report 2013

PERSISTING WITH DREAM
DEDICATION TO FUTURE



PERSISTING- THE DREAM COMES TRUE

Sino-Ocean Land is determined to assume our mission and uphold the dream of achieving new heights and marching to the forefront while putting aside the vicissitudes undergone, reflecting our strategy and vision in the next decade on a foothold eyeing for changes.



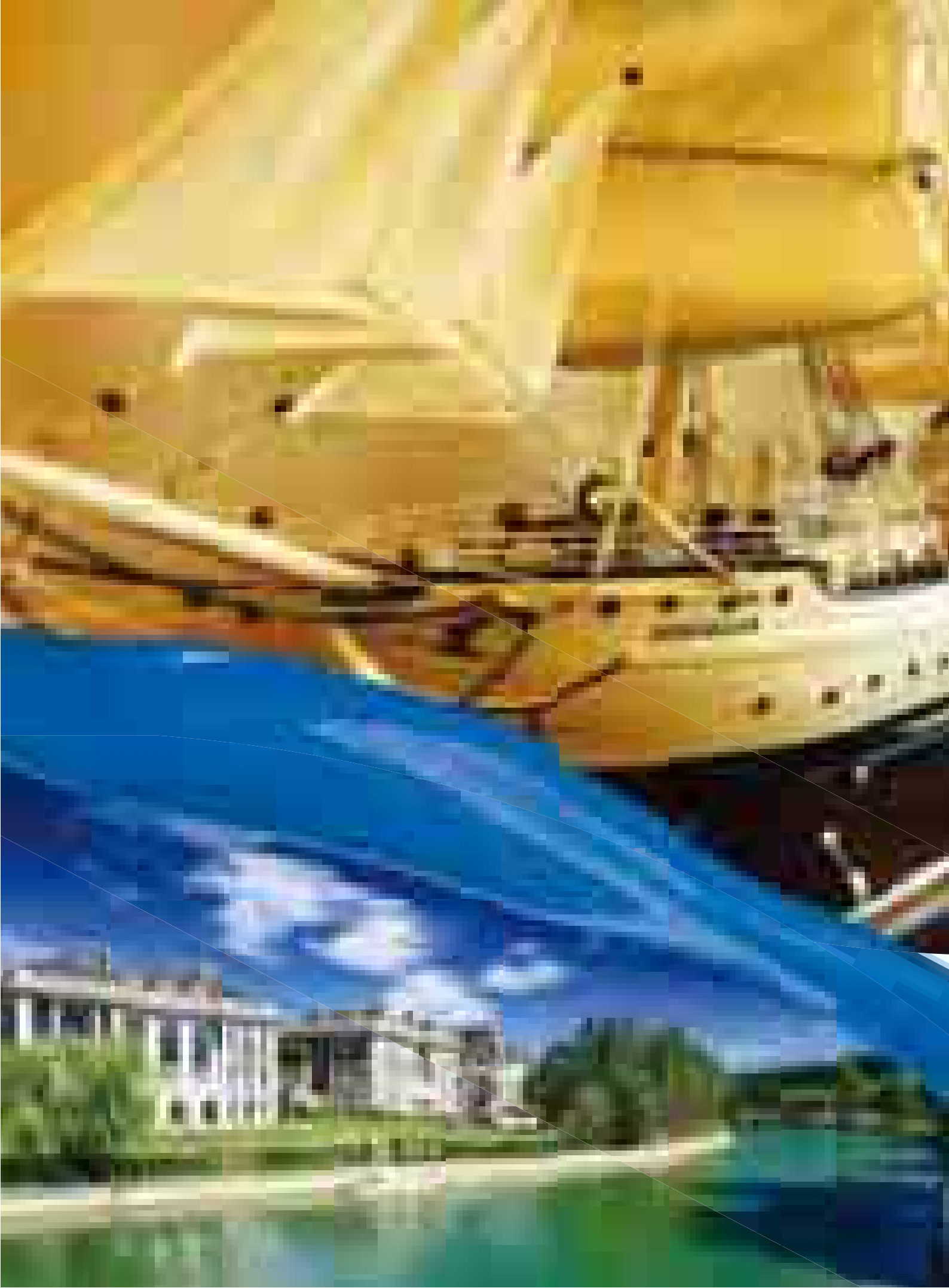
DEDICATION- BUILDING FOR THE FUTURE





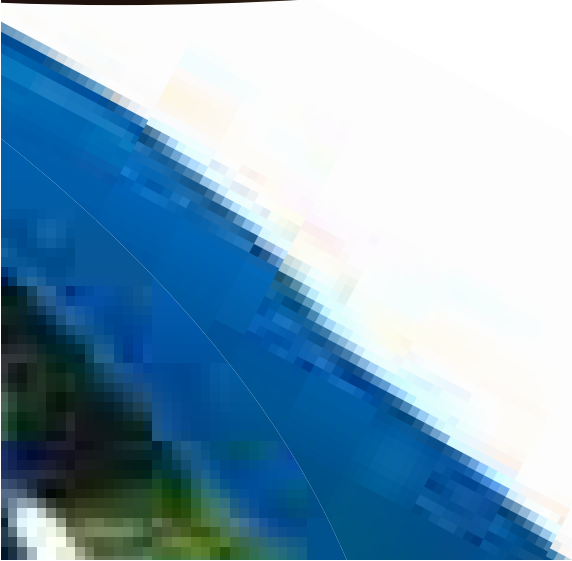
Bringing dreams into reality requires uncompromising execution. In the past year, our technical lines systematically formed in full coordination with the control requirements of frontline management.

We strive to enhance our management execution to achieve breakthroughs in terms of accuracy, efficiency and effectiveness, hence stepping closer to the realization of the blueprint for our future.





RIDE ON WING SINO-OCEAN



Sino-Ocean Land's development strategy is based on a firm and solid foundation. Our sustainable development going forward is a pressing issue and holds promise for the future. We are determined to create quality products for the people.

SINO-OCEAN LAND



ABOUT US

Sino-Ocean Land is one of the leading property developers in Beijing and the Pan-Bohai Rim Region and is actively accomplishing its national strategic plan with a coastal and riparian focus. We focus on developing mid-to-high end residential properties, high-end office premises and retail properties. We have over 50 development projects in various stages of development in 19 high growth cities across the country, including Beijing; Dalian, Tianjin, Qingdao and Qinhuangdao in the Pan-Bohai Rim Region; Shenyang, Changchun and Fushun in the Northeastern Region; Shanghai, Hangzhou, Chengdu, Chongqing, Wuhan, Zhenjiang and Huangshan in the Yangtze River Delta and along the Yangtze River; Shenzhen, Zhongshan, Haikou and Sanya in the Southern Region.

On the back of our dedication to providing high-quality products and professional services, Sino-Ocean Land has built up a strong brand in Beijing, the Pan-Bohai Rim and the Southern Region. As at 31 December 2013, we had approximately 21,353,000 sq.m. of landbank, in which projects located in Beijing and the Pan-Bohai Rim accounted for about 57% of our total landbank.

Currently, Sino-Ocean is selected as a constituent of the Hang Seng Composite Index ("HSCI"), the Hang Seng Composite Industry Index — Properties and Construction, Hang Seng Mainland 100 Index, Hang Seng Composite Mid Cap Index and Hang Seng Global Composite Index.



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FINANCIAL & OPERATION HIGHLIGHTS

Highlights

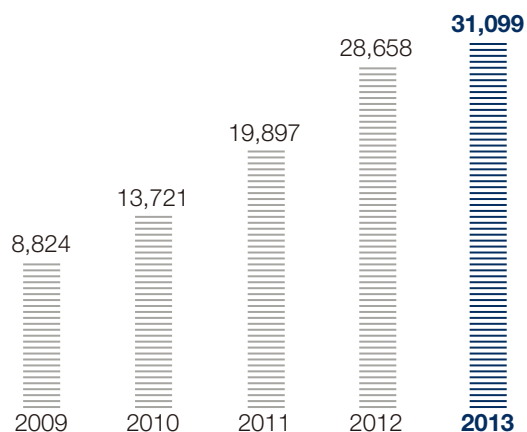
(RMB million)	2013	2012	YoY (%)
Contracted Sales	35,818	31,119	15%
Revenue	31,099	28,658	9%
Gross profit	7,547	7,699	-2%
Profit before income tax	7,341	7,235	1%
Profit for the year	4,661	3,987	17%
Profit attributable to owners of the Company	4,075	3,796	7%
Earnings per share (RMB)			
— Basic	0.592	0.542	9%
— Diluted	0.589	0.541	9%
Dividend per share (HKD)	0.23	0.23	—
Dividend payout ratio	31%	29%	2 pts
Gross profit margin	24%	27%	-3 pts
Net profit margin	13%	13%	—
Saleable GFA sold (sq.m.)	2,583,000	2,611,000	-1%
Saleable GFA delivered (sq.m.)	2,445,000	2,055,000	19%

(RMB million)	2013	2012	YoY (%)
Total assets	137,869	128,305	7%
Equity attributable to owners of the Company	40,058	38,260	5%
Cash resources*	16,050	16,147	-1%
Current ratio	1.7	1.8	-6%
Net gearing ratio*	48%	42%	6 pts
Landbank (sq.m.)	21,353,000	22,969,000	-7%

*: Including the restricted bank deposits

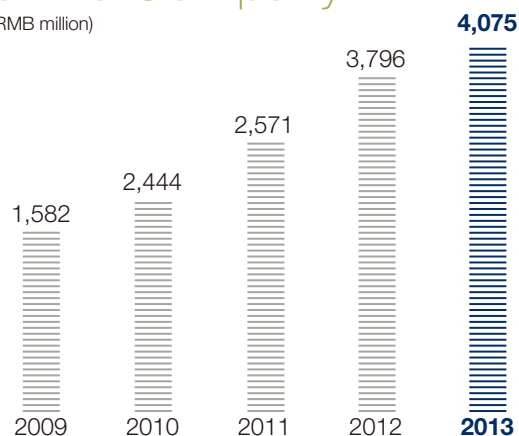
Revenue

(RMB million)



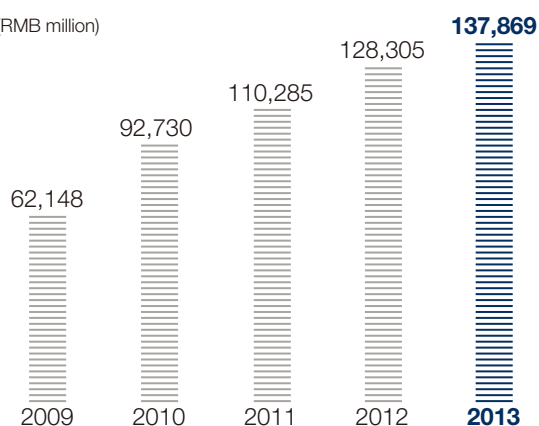
Profit attributable to owners of the Company

(RMB million)



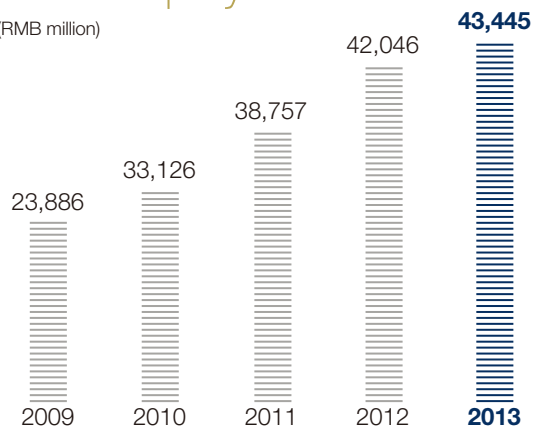
Total assets

(RMB million)



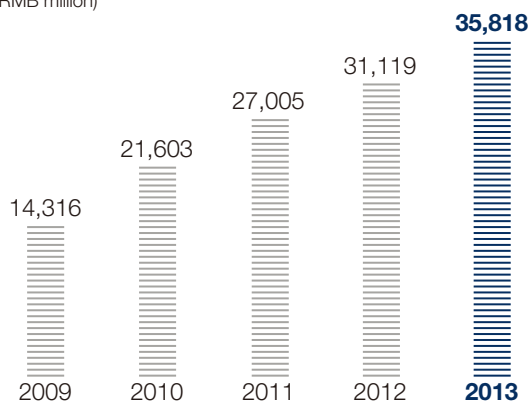
Total equity

(RMB million)



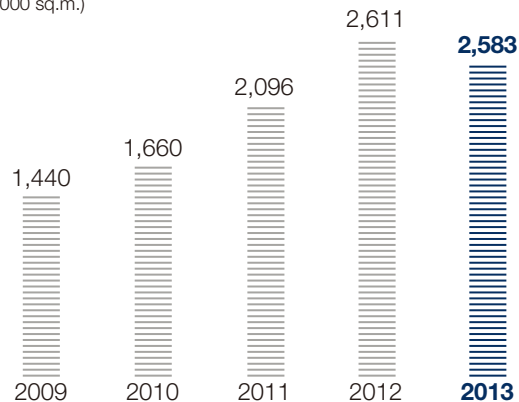
Contracted sales

(RMB million)



Saleable GFA sold

('000 sq.m.)





SINO-OCEAN LAND HAS SUCCESSFULLY DEVELOPED FROM A REGIONAL PROPERTY-DEVELOPER TO A NATIONWIDE CORPORATION. OUR PROJECT COVERAGE HAS BEEN EXTENDED TO 19 CITIES ALL OVER THE PRC.

BEIJING

Total GFA 2,971,000 sq.m.
Total remaining landbank 1,848,000 sq.m.
No. of projects 13

PAN-BOHAI RIM

Dalian, Tianjin, Qingdao, Qinhuangdao

Total GFA 13,517,000 sq.m.
Total remaining landbank 10,266,000 sq.m.
No. of projects 20

SOUTHERN REGION

Shenzhen, Zhongshan, Haikou, Sanya

Total GFA 4,279,000 sq.m.
Total remaining landbank 2,875,000 sq.m.
No. of projects 9

NORTHEASTERN REGION

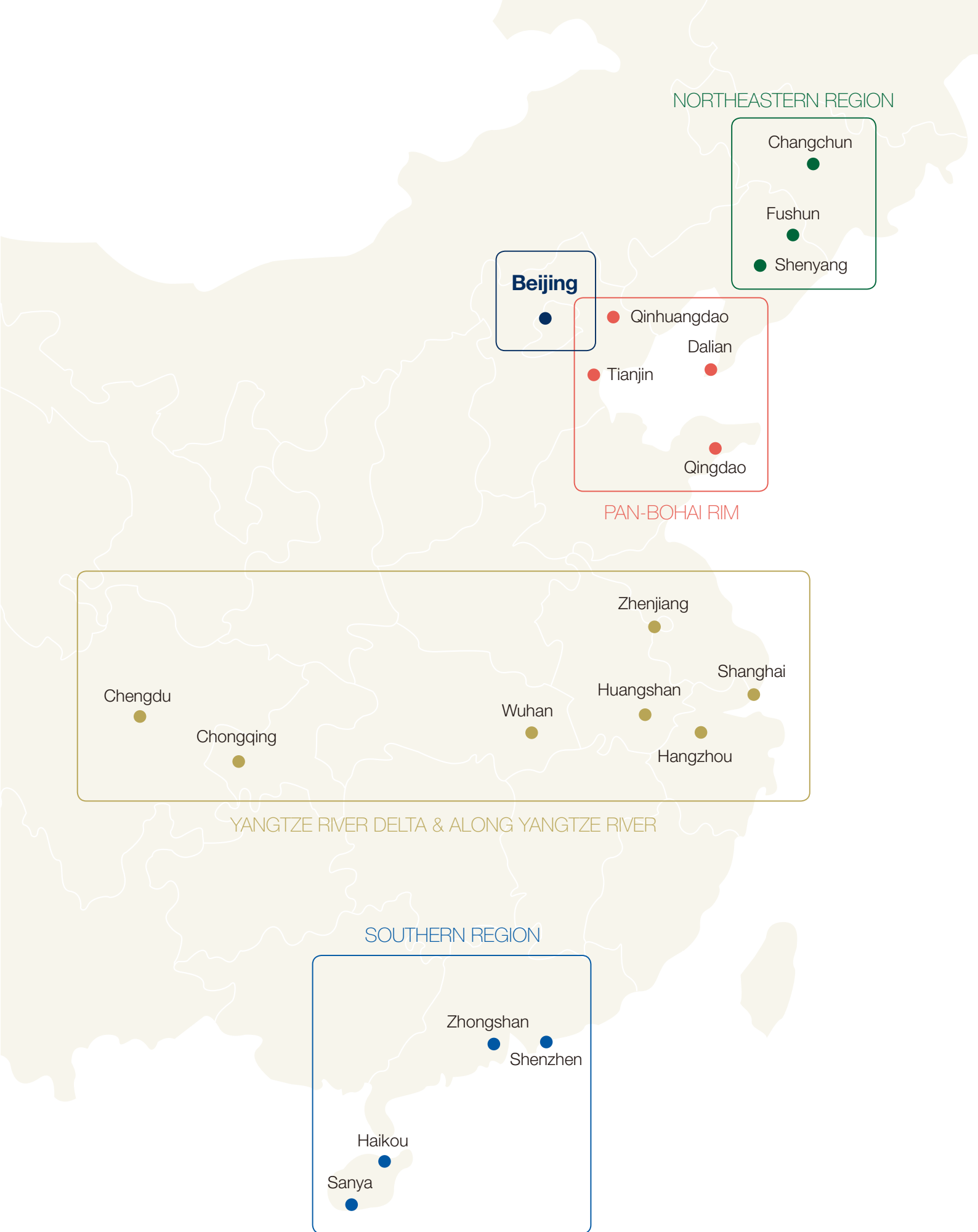
Shenyang, Changchun, Fushun

Total GFA 3,448,000 sq.m.
Total remaining landbank 2,433,000 sq.m.
No. of projects 4

YANGTZE RIVER DELTA & ALONG YANGTZE RIVER

Shanghai, Hangzhou, Chengdu, Chongqing,
Wuhan, Zhenjiang, Huangshan

Total GFA 4,492,000 sq.m.
Total remaining landbank 3,931,000 sq.m.
No. of projects 12



CHAIRMAN'S STATEMENT

On behalf of our Board of Directors ("the Board") I have pleasure in presenting the results of Sino-Ocean Land Holdings Limited ("Sino-Ocean Land" or the "Company") and its subsidiaries (together referred to as "our Group" or "We") for the twelve months ended 31 December 2013.





RESULT OF 2013 AND FINAL DIVIDEND

For the twelve months ended 31 December 2013, our Group recorded RMB31,099 million in revenue, representing a year-on-year ("YoY") increase of 9%. Profit attributable to owners of the Company and core profit reached RMB4,075 million and RMB3,036 million respectively, representing an increase of 7% and 21% respectively, and earnings per share was RMB0.592.

Based on the profit attributable to owners of the Company in 2013, the Board is pleased to propose a final dividend of HKD0.16 per share for the year ended 31 December 2013. Together with the interim dividend of HKD0.07 per share, total dividend per share for 2013 was HKD0.23 (2012: HKD0.23), representing a dividend payout ratio of 31% (2012: 29%).

The Board also recommends offering to the shareholders the right to elect as an alternative, to receive the 2013 final dividend wholly or partly by the allotment of new shares credited as fully paid up in lieu of cash, subject to shareholders' approval on the payment of the 2013 final dividend at the Company's annual general meeting (the "AGM") and the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

MARKET REVIEW AND PROSPECT

In 2013, the property market in China went through some fluctuations but ultimately was on an upward trend with sales of commodity properties achieving a record high. Data from the National Bureau of Statistics of China indicated that the total area of commodity properties sold in China rose 17.3% YoY to 1,306 million sq.m., 15.5% higher in growth rate than 2012; the total sales amount increased 26.3% YoY to RMB8,142.8 billion, at a rapid growth rate of 16.3% higher than 2012. The total sales amount grew at a higher rate than that of GFA sold and the overall trend showed growth in both quantity and price.

CHAIRMAN'S STATEMENT

Prompted by the market's strength in both supply and demand and in response to the State Council's "five new measures" (新國五條) to enhance regulation of the property market, various regions increased land supply last year and transaction volume continued to climb. Data from the National Bureau of Statistics of China indicated that accumulated land area purchased in 2013 in China reached 388.14 million sq.m., an 8.8% increase YoY, a turn around from the negative growth in 2012.

The increase in land transaction eased the pressure on supply and curbed market expectations. At the same time, differentiation appeared in the land market. While land supply was still tight in first and second-tier cities prompting 'land snatching' at the end of the year, market behavior in third and fourth-tier cities remained steady. On the other hand, more land was designated for protective housing in various regions, a positive move to protecting people's living needs and an indication that the Central Government's appeal to provide more land for constructing protective housing was addressed.

Strong supply and demand coupled with higher volume in land transactions also pushed up new construction area. In 2013, total GFA of residential properties under construction was 2,012.08 million sq.m., an 13.5% increase YoY. Future supply of housing is expected to maintain a high growth rate.

The real estate industry saw higher concentration in 2013. Branded property enterprises continued to expand their influence in the market by taking advantage of their products output, financial capability and customers' recognition. Some enterprises on the other hand were looking for exit routes as they came under pressure from their strategic planning, business structure and cash flow. Mergers and acquisition and restructuring were gradually taking place.

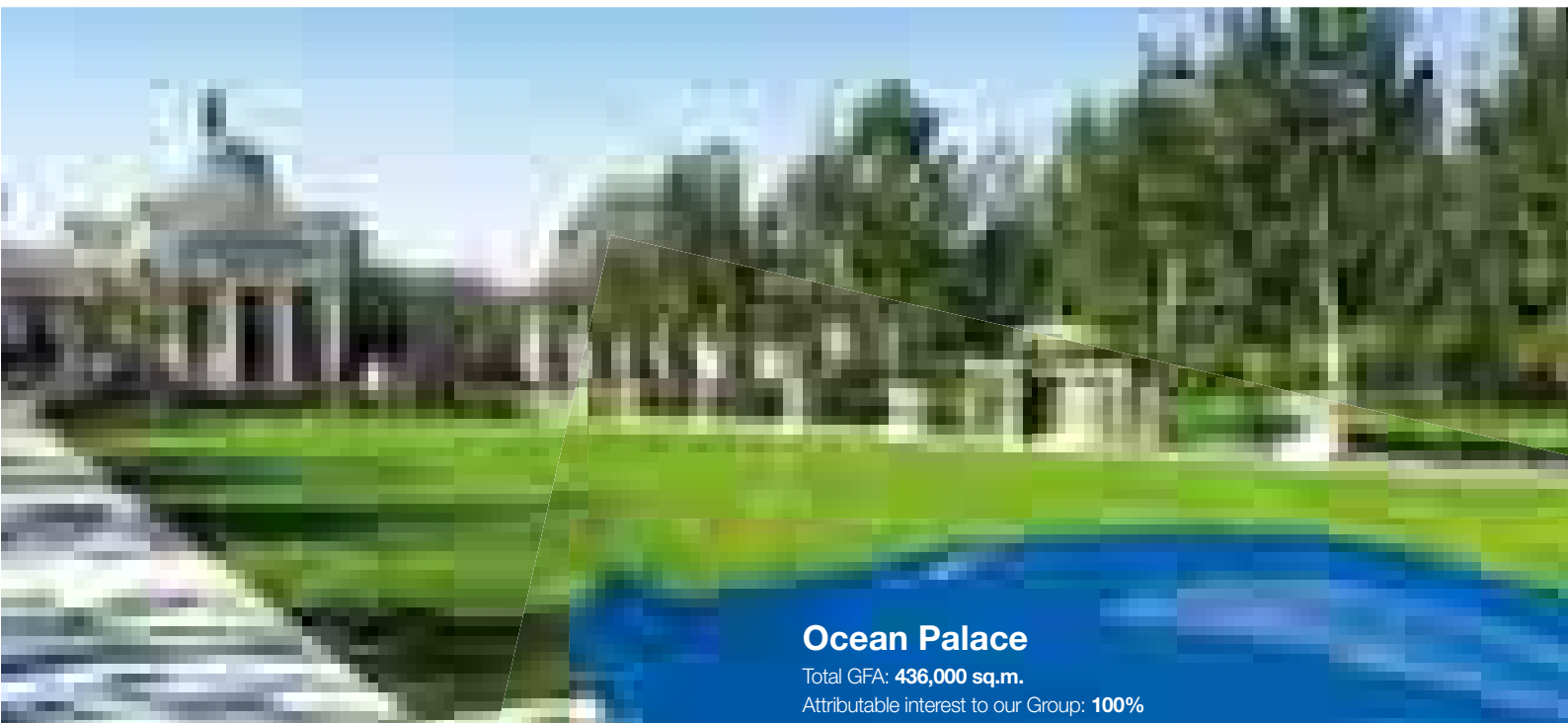
Market outlook

In 2014, China's macro economy will manage at a stable growth under the principle of 'intensifying reforms in all areas and perseverance in steady progress', albeit at a slower pace. The property industry is closely connected with the atmosphere of macro economy and will therefore face new opportunities, but as well as uncertainties. Changes are also brewing at the same time. Our Group foresees three major characteristics in the property industry in the year ahead:



The first is 'stable'. During the building process of a long-term effective control mechanism in the property industry, the imbalance between supply and demand still exists. The current control measures will continue and the policies will remain stable. With the overall market looking up again in 2013, the sale, development and investment on the China commodity housing in 2014 will stay at a high level and grow at an appropriate rate. Market sentiments will remain stable. In some of the third and fourth-tier cities where there is a risk of over-supply, the local governments may use measures such as pacing the land supply, controlling the total scale of development, stimulating the market and reducing inventory to manage risk and maintain stability of the industry.

The second is 'differentiating'. Firstly, the Central Government will give different guidelines to cities with different demands to remain the industry stable. Macro measures will be strictly executed in first and second-tier hotspot cities while more flexibility will be applied to third and fourth-tier cities. Control measures are no longer uniform and differentiation will deepen. Secondly, the supply and demand structure will also differ: construction of protective housing, especially shantytowns transformation, will have more government



Ocean Palace

Total GFA: **436,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Villa**

support to supplement the commodity housing and ease the financial pressure from the lower income sector. More local authorities may follow Beijing's lead in launching 'self-use commodity housing' to weaken speculation in the commodity housing market.

The third is 'reformative'. As the new government aims to 'intensify reforms in all areas', reforms will be more market-oriented and take place in various areas including the land system, household registration, taxation and credit policies. Mechanisms for long-term effect such as centralized registration of real estate and on-line housing information will be set up to encourage sound development of the property industry. It is expected that the industry will go through another round of adjustments and reforms in 2014.

Strategy review

Faced with new challenges in 2013 our Group adhered to the principles of 'raising efficiency, qualities and

sustainability', and performed all our tasks with great care and laid a solid foundation for future development.

Meticulous and vigorous control on costs and fees boosted profit level

Faced with rising land costs and salaries, declining gross profit, a change in regional product mix and other factors in 2013, our Group's gross profit margin was 3% lower than the previous year. However, as a result of our perseverance in controlling costs and fees, our core profit recorded a 21% rise YoY.

Specifically, on the one hand, our Group continued to reap results from purchasing from selected suppliers, controlling costs, developing and applying product line and all other possible measures to control pre-gross profit costs. On the other hand, our Group continued to apply tight control on three types of fees (administration, sales and finance) and managed to cut these fees from 8.5% on turnover to 5.9% effectively.

CHAIRMAN'S STATEMENT

Efforts from multiple disciplines constantly upgraded quality

After much perseverance, we finished the three main product categories, namely, rigid demand housing, luxury homes and low-density housing. We applied our research experience on land acquisition and proposal design, raising both efficiency and design quality. We also elevated our management standards for work in progress and its inspection. By standardizing craftsmanship, tendering process and delivery quality, we magnified our focal point from construction management to the entire project completion process to place our projects in the forefront of the industry.

Deep cultivation of existing markets provided a firm foundation

In line with our development strategy stage three, our Group has since 2010 entered 19 cities with a promising outlook and basically completed our nationwide location planning. With the Pan Bohai Rim as the core and the Pearl River Delta and the Yangtze River Delta as the wings, our locations radiate in many directions. We continue to be in leading positions in Beijing, Dalian, Zhongshan and Qinhuangdao. In this past year with contributions from all city companies and a fairly even seasonal distribution our Group recorded contracted sales of RMB35,818 million. At the same time, five new cities generated revenue (Hangzhou, Qingdao, Shanghai, Zhenjiang, Chongqing) boosting our income to exceed RMB30,000 million for the first time.

We are pleased to see that contribution ratios from the Yangtze River Delta and along the Yangtze River and the Pearl River Delta continued to rise. A more balanced location planning is beneficial to our Group's stable growth. In addition, most of our city companies have completed the cycle of 'land acquisition — construction — sale — delivery — property management'. Our knowledgeable and experienced team is a solid foundation for future sustainable business development.

Cooperation of major shareholders improved capital structure and financial status

There was a breakthrough in the cooperation of our Group's major shareholders in 2013. In September, our Group's two major shareholders — China Life Insurance Company Limited ("China Life") and Nan Fung International Holdings Limited and its subsidiaries ("Nan Fung Group") increased their shareholding of our Group, holding approximately 29% and 21% respectively. Our Group obtained a total of approximately USD800 million financing which stabilized our Group's shareholding structure further and improved the capital structure. Funds raised provided for additional land reserve at a later date and future expansion. At the end of 2013, our Group's net gearing ratio was 48%, a fairly low level which enabled more capacity for raising funds at lower cost in future.

Being the world's largest life insurance company, China Life has completed the change from a financial investor to strategic investor to our Group and will give our Group even greater support in direction and funding in the future. Our Group has signed a memorandum with China Life encouraging synergy in project development, joint acquisition, commercial properties joint-ownership, protective housing construction and assisted living business for a mutually beneficial and complementary relationship.

Commercial properties developed steadily and looked set to continue

In 2013, our Group's commercial properties developed steadily demonstrating results of our investment planning. As at the end of 2013, our Group had a total of 521,000 sq.m. of leasable area, up by 7% YoY; operating income was RMB550 million, up by about 33% YoY. Our two shopping malls — Ocean We-Life Plaza (Beijing) and Ocean We-Life Plaza (Tianjin) opened during the year with steady growth in turnover and number of visitors, which marked the comprehensive implementation of the first shopping mall under our Group's own brand.

In 2014, our Group will have over 380,000 sq.m. of commercial properties opening for business (including Ocean International Center, Phase II Beijing, Ocean Landscape E02 Beijing, Sino-Ocean Taikoo Li Chengdu, Ocean Midtown Dalian). It is estimated that by 2019 our Group will have more than 3 million sq.m. of commercial properties, over 90% of which are in the central areas of first and popular second-tier cities, promising good performance in future.

Our strategy

Faced with new market conditions and changes in 2014, our Group is going to operate on the principles of 'exploring potential savings on costs, improving core profits, consolidating our foundation and charting future strategy'.

Our Group will use the industry and market standards as benchmarks to tighten cost control in all aspects of operation. Measures will include continuous research on product line and application on land acquisition; exercising strategic purchasing to enjoy the scale of economy; setting definite cost targets; building a data bank on costs at Group level and monitoring internal and external costs.

In addition to tightening cost control on finance, administration, sales and promotion to ensure core net profit, our Group will also develop sales techniques in line with market movements, pace new launches and determine prices in a flexible manner to encourage sale and raise asset turnover. We will also take out interest-bearing loans at a reasonable level to improve our debt structure both domestically and overseas and to widen finance channels.

Our Group will also consolidate our business foundation to enable greater development. We will grasp opportunities and explore new channels for investing in quality land resource in first and popular second-tier cities for a balanced structure in the mid to long term. In terms of commercial properties and assisted living business, our Group will continue to reinforce our professional knowledge, move prudently and fully exploit

synergy from our various businesses. In addition, our Group's consolidated management information system is ready for full trial run after a considerable amount of work was put in. The new system should render huge support in raising management efficiency, lowering costs, business development and process re-engineering.

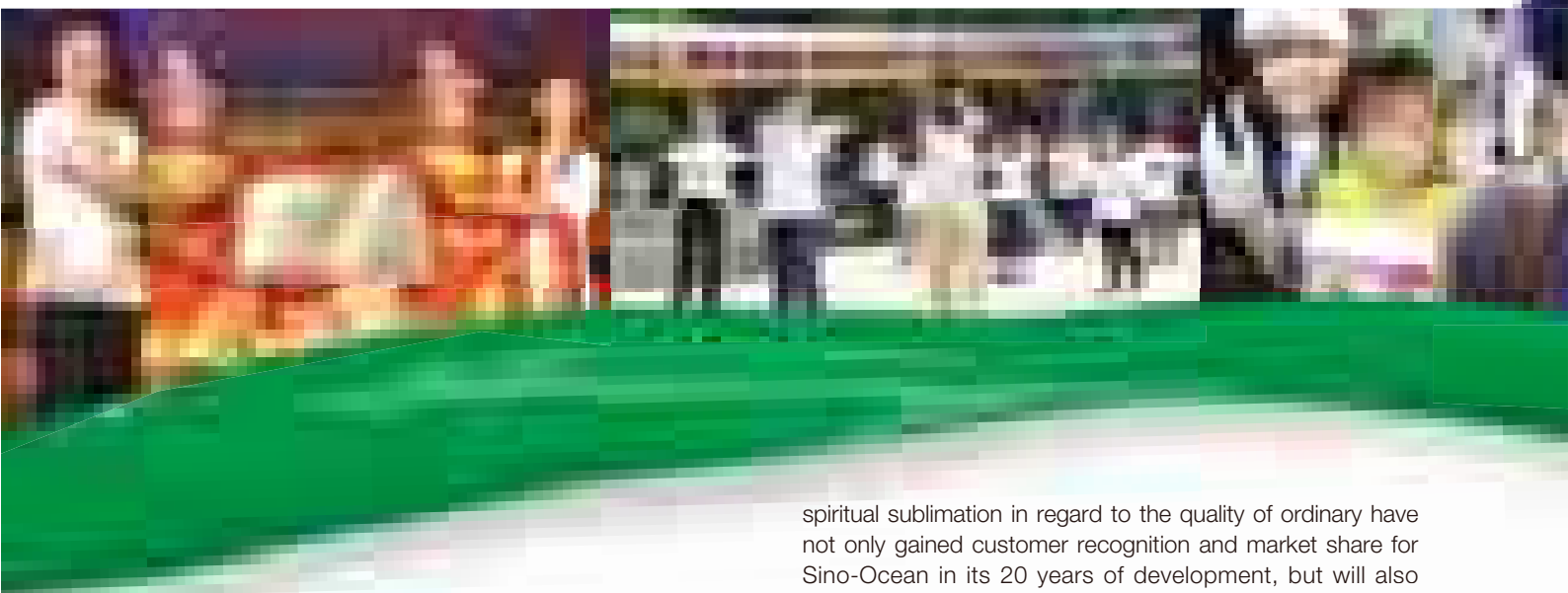
Appreciation

On behalf of the Board, I would like to extend my sincere gratitude to all shareholders, investors, local authorities, business partners and customers; also to our directors, management and the entire staff for their dedicated hard work. We could not have performed so well and achieved our targets in the past year without their unfailing support.

LI Ming
Chairman

Hong Kong, 13 March 2014

CORPORATE SOCIAL RESPONSIBILITY REPORT



Our Charity Micro in Scale but Sustainable; In the Ordinary We Appreciate the Extraordinary

In 2013, under the theme of “Ordinary We Build The Extraordinary”, Sino-Ocean Land continued to enlarge the scope of responsibility fulfillment in its principal businesses to ensure sustainable development for our business, while bringing its edge in resources integration into play in leading business partners for the practice of social responsibility for a better sustainable development of our value partners (namely our shareholders, customers, employees, cooperation partners, the government, the community and the environment) and the society, truly living up to “Our Charity Micro in Scale but Sustainable; In the Ordinary We Appreciate the Extraordinary”.

Journey to Quality re-launched: delivering new value interpretations

In 2013, the “Journey to Quality” was launched again by Sino-Ocean, where members of the media, business representatives and industry experts were invited to travel south to witness our fruitful results in the South China market. In Beijing, business representatives nationwide were gathered to share our joy and experience in the road to quality over the past 20 years. Our charity work done in Beichuan offered new ways of interpreting quality. Touring new achievements of our diverse business with focus on commercial properties was organized. Through all these trips (namely the “South China Expedition”, the “Beijing Expedition”, the “Charity Expedition” and the “Trade Tour”), more and more people got our message: our persistence, repeated inquiry and

spiritual sublimation in regard to the quality of ordinary have not only gained customer recognition and market share for Sino-Ocean in its 20 years of development, but will also become its new kick-starts in prospecting the future and achieving sustainable development.

Continuous commitment toward community greening and vigorous fulfillment of social responsibility

We continued to organize the biannual “Sino-Ocean Community Protection Award” in China with the Center for Environmental Education and Communications of the Ministry of Environmental Protection and the Environmental Defense of the US. The project aims to increase the awareness of environmental protection among residents and foster their greater participation by way of community environmental projects, and to achieve synergy among the government, enterprises and NGOs through the establishment of green model communities to boost the efficiency and performance of environmental work. In 2013, altogether 12 provinces, 33 cities and 84 communities participated in the second “Sino-Ocean Community Protection Award” and three national outstanding demonstration communities emerged. When compared with the first Award, this time saw a relatively big improvement in terms of the scope of participation and the total number and quality of participants.

Aid to national cultural heritage and sustained attention on a balanced education

In 2013, the “Qiang Traditional Cultural Education and Training Base” was set up in Sichuan’s Beichuan Qiang Culture Secondary School not only for nurturing the Qiang traditions and cultural qualities, but also for helping minority cultural heritage through innovative means. “Little Partner



Education Sponsorship Scheme” provided support to new targets in Inner Mongolia, as a result of which our care and helping hands were extended to nearly 50 schools in nine provinces or municipalities, including Xinjiang, Qinghai, Sichuan, Yunnan, Guizhou, Beijing, Hainan and Inner Mongolia. “Gardener Award” built platform for sharing quality educational resources to foster innovative developments by implementing the “Education Innovation Forum”, aside from ongoing projects. “Migrant Workers’ Children School Principal Training Project” promoted the concept of “supportive education” to more than 40 migrant workers’ children schools in Beijing. Through the above projects, the Company achieved its long-term commitment toward a fair rural-urban distribution of educational resources for the disadvantaged and the effective promotion of quality educational resources.

Focusing on education innovation and promoting the sharing of resources

In September 2013, the “First Sino-Ocean Innovation and Education Forum” initiated by Sino-Ocean Charity Foundation and jointly hosted by Sino-Ocean Land and the China Institute for Social Responsibility of Beijing Normal University was held in Changchun. The activity comprised three sections, namely theme forum, school field trip and real estate project inspection. Sino-Ocean Land hopes that, with the continuous launch of education forum, participating schools would become more creative and forward-looking in their road to urban educational reforms, thereby providing a role model for the scientific way of school building. We also hope to see the results of the forum can be applied to more school establishments to promote the overall development of education standards.

Concerns for the progress of university students and emphasis on sustainable development

The fifth Sino-Ocean Seafaring Students-in-action Incentive Scheme was held as scheduled. This activity received altogether 490 projects from 46 universities, an increase of 15% when compared with last year. Under the direction of the Ministry of Education and the Central Commission of China Communist Youth League, the Scheme has been rolled out for four consecutive years, seeking to promote involvement and contribution of university students in charitable actions through sponsorships granted to outstanding youths nationwide.

Prompt response to hot social issues and professional handling of disasters

After the Ya’an Earthquake hit Sichuan on 20 April, Sino-Ocean Land immediately donated RMB2 million for emergency disaster relief and reconstruction work. Thereafter, RMB510,000 was raised by employees of the Group. Our response to these emergencies was speedy and proactive, which has significantly enhanced our professional competence and has demonstrated our consistent image as a responsible enterprise. Having the Ya’an reconstruction project in mind, Sino-Ocean Land, making use of its expertise, set up a department for reconstruction projects forthwith to integrate internal resources for the planning of reconstruction work, starting a new model for responsibility fulfillment on expertise in major disaster reconstruction.

“Sino-Ocean Volunteer Day”: encouraging employees to fulfill responsibility

In 2013, “Sino-Ocean Green Office Day” was officially renamed to “Sino-Ocean Volunteer Day”. With the new name, more staff was called to take part in charity functions other than those concerning environmental protection. “Small Grants Scheme” was started to encourage employees, customers and even suppliers to fulfill social responsibility and perform public service within reach. “Sino-Ocean Responsibility Award” provided further incentive to our employees, city companies and professional companies for participation in community affairs and joint responsibility fulfillment with the Company. Through various channels, we shortened the distance among employees as well as between employees and stakeholders, promoting staff health and enhancing cohesion, while leading employees for participation in a wider range of social fulfillment and thus achieving greater self-worthiness. Sino-Ocean Land’s volunteers contributed more than 2,300 hours of service through the year.

MANAGEMENT DISCUSSION & ANALYSIS



FINANCIAL REVIEW

During 2013, Sino-Ocean Land fully implemented our nationwide strategy while maintaining as one of the leading residential property developers in Beijing and the Pan-Bohai Rim Region in terms of attributable GFA sold in private housing. We also secured a leading position in other regions with our business presence including Huangshan and Zhongshan. Our Group recorded an increase in revenue for the year 2013 of RMB2,441 million, or 9% to around

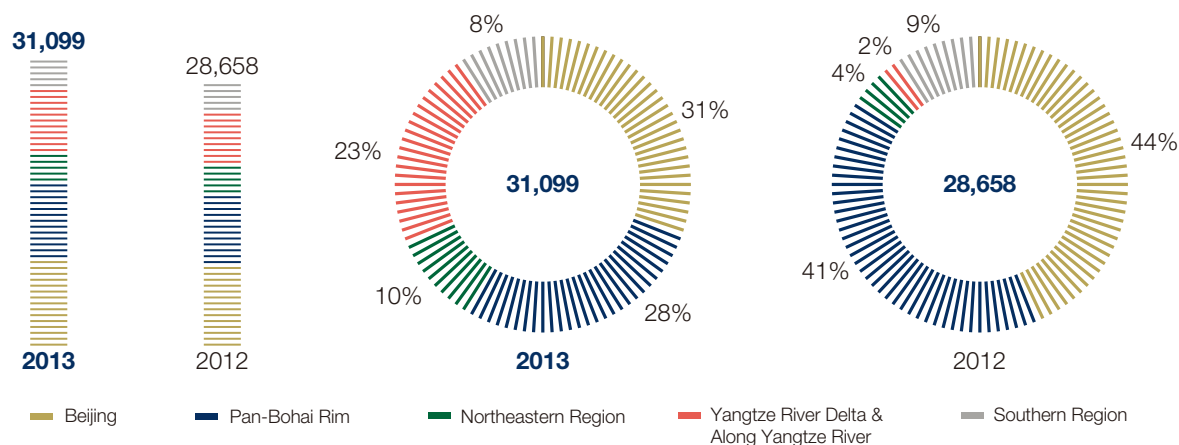
RMB31,099 million (2012: RMB28,658 million). Our profit attributable to owners of the Company amounted to RMB4,075 million (2012: RMB3,796 million), an increase of 7% as compared to 2012. Basic earnings per share was RMB0.592 (2012: RMB0.542). Contracted sales amount reached a record high of RMB35,818 million (2012: RMB31,119 million) with total saleable GFA sold of approximately 2,583,000 sq.m. (2012: 2,611,000 sq.m.).

The components of the revenue are analyzed as follows:

(RMB million)	2013	2012	YoY (%)
Property development	28,146	26,053	8%
Property investment	550	414	33%
Property management	591	453	30%
Other real estate related businesses (including upfitting and decoration business)	1,812	1,738	4%
Total	31,099	28,658	9%

Revenue contributions by geographical locations are analyzed below:

(RMB million)



Revenue

Our Group's revenue in 2013 grew by 9% to RMB31,099 million, from RMB28,658 million in 2012. The property development segment remains as the largest contributor which accounted for about 91% of total revenue. Beijing as our home base accounted for about 31% of our Group's total revenue in 2013 (2012: 44%) and amounted to RMB9,526 million (2012: RMB12,512 million). The decline was mainly due to higher contribution of revenue and GFA delivered from areas outside Beijing in 2013. There were

strong contributions from the other first and second-tier cities including Dalian, Tianjin, Shanghai, Zhongshan and Hangzhou, with their total revenue of RMB14,480 million in 2013, accounting for about 47% of the total revenue. This is the result of our nationwide expansion strategy to diversify our revenue contributions from various cities to mitigate the risk from single market fluctuations. With our diversified landbank portfolio, we will see a more balanced mix of revenue contributions.

MANAGEMENT DISCUSSION & ANALYSIS

Cost of sales

The cost of property development, mainly comprising of land cost and construction cost, accounted for 89% of our Group's total cost of sales during 2013 (2012: 88%).

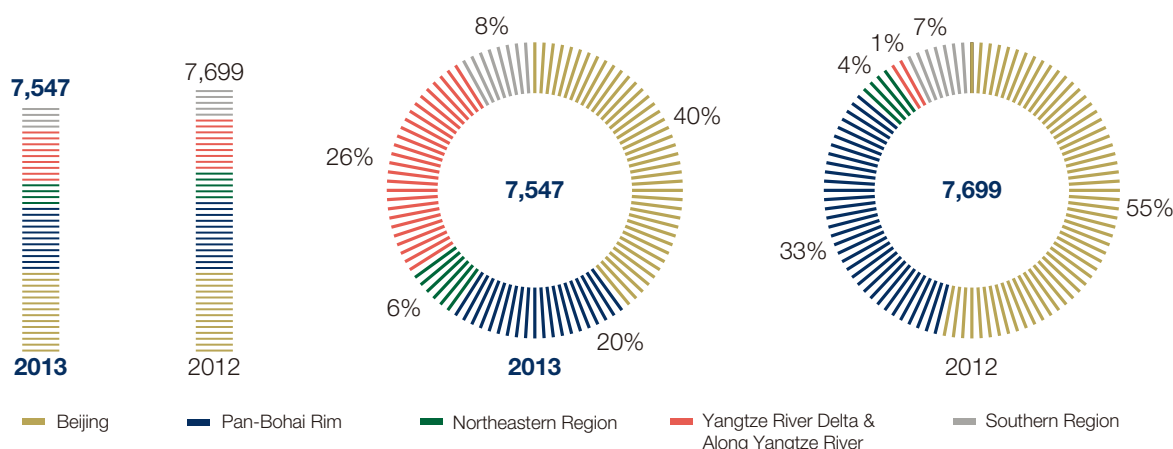
Excluding car parks, average land cost per sq.m. of the property development business in 2013 increased to

approximately RMB2,700 compared to RMB2,400 in 2012 which was due to more properties delivered from the newly acquired projects during the year. Average construction cost per sq.m. (excluding car parks) for property development business was approximately RMB5,200 per sq.m. for the year, decreased compared to RMB5,700 per sq.m. in 2012.

Gross profit

Gross profit by geographical locations is analyzed below:

(RMB million)



Gross profit for the year was RMB7,547 million, representing a slightly decrease of 2% compared to the 2012. Gross profit margin decreased to 24% (2012: 27%). The decrease in gross profit margin was primarily due to the inflated land cost.

Other income and gains

Other income increased by 80% to RMB376 million in 2013 compared to RMB209 million in 2012. Such increase was mainly due to the increase in the overall interest income received. Our Group recorded other gains (net) of RMB102 million in 2013 (2012: other losses (net) of RMB126 million). Other gains (net) mainly comprised the exchange gains recognized during the year.

Revaluation of investment properties

Our Group recognized an increase in fair value on its investment properties (before tax and non-controlling interests) of RMB808 million for 2013 (2012: RMB1,535 million).

Operating expenses

Selling and marketing expenses for 2013 decreased to RMB785 million (2012: RMB963 million). These costs accounted for only approximately 2.2% of the total contracted sales amount for 2013 (2012: 3.1%).

Administrative expenses incurred for 2013 decreased to RMB675 million (2012: RMB853 million), which represented only 2.2% of total revenue for 2013 (2012: 3%). The decrease in administrative expenses was due to our strictly cost control measures successfully kept these cost at a relatively stable and lower level.

Finance costs

Total borrowings as at year ended 31 December 2013 was approximately RMB35,295 million (2012: RMB32,393 million) with over 70% (2012: over 80%) of our Group's borrowings were denominated in Renminbi. The remaining borrowings were denominated in other currencies. Majority of our funding was efficiently applied to our projects. As a result, we were able to capitalize most of the interest expenses and thus leaving RMB364 million to be charged through consolidated income statement during the current year, compared to RMB625 million in 2012. Due to our cost control in borrowing costs, our weighted average interest rate decreased to 7.33% in 2013 (2012: 7.72%), while total interest expenses paid or accrued to RMB2,585 million (2012: RMB2,946 million).

Taxation

The aggregate of enterprise income tax and deferred tax increased by 10% to RMB1,900 million in 2013 (2012: RMB1,729 million), with effective tax rate of 29% (2012: 30%). In addition, consistent to the slight decrease in gross profit, land appreciation tax in 2013 decreased to RMB780 million (2012: RMB1,519 million), accounting for 10% of gross profit in 2013 (2012: 20%).

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased by 7% to RMB4,075 million in 2013, compared to RMB3,796 million in 2012. Core profit, excluding one-off items and fair value gains on investment properties, amounted to RMB3,036 million, an increase of 21%. Return on average equity (excluding convertible securities and capital securities) stated at approximately 12% in 2013 (2012: 13%). Our management will continue to focus on the improvement of our shareholders' return as their on-going task.

Financial resources and liquidity

During the year, with overwhelming support from investors, our Group successfully obtained two syndicated financing with the size of USD410 million and USD175 million. We aimed at refining our funding structure, liquidity and credit policies under the overchanging financial market and global economic environment. We recorded a slightly increase in total borrowings from RMB32,393 million to RMB35,295 million as at the year end of 2013.

As at 31 December 2013, our Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB16,050 million, of which over 80% (2012: over 90%) of our Group's cash resources were denominated in Renminbi while the remaining balances were denominated in other currencies, and a current ratio of 1.7 times. Together with unutilized credit facilities of about RMB37,948 million, our Group is ensured to be financially sound. We have ample financial resources and an adaptable financial management policy to meet our business expansion in the coming years.

Our Group's net gearing ratio (i.e. total borrowings less total cash resources divided by equity attributable to owners of the Company) was about 48% (2012: 42%), which is mainly attributable to the increase in total borrowings amounted to RMB35,295 million. (2012: RMB32,393 million). Nevertheless, we expect the net gearing ratio to remain relatively stable in 2014 and will be controlled below 80% as laid down by our Board, in order to maintain our Group's overall financial healthiness.

MANAGEMENT DISCUSSION & ANALYSIS

The maturities of our Group's total borrowings are set out as follows:

(RMB million)	As at 31 December 2013	As at 31 December 2012	YoY (%)
Within 1 year	12,839	11,520	11%
1 to 2 years	7,039	7,460	-6%
2 to 5 years	12,031	11,263	7%
Over 5 years	3,386	2,150	57%
Total	35,295	32,393	9%

Financial guarantees and charge on assets

As at 31 December 2013, the value of the guarantees provided by our Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB5,733 million (2012: RMB3,837 million).

During the year, our Group had pledged some of its land use rights, properties under development, completed properties held for sale, investment properties, etc. to secure short-term bank loans (including the current portion of long-term borrowings) of RMB1,187 million (2012: RMB7,185 million) and long-term bank loans of RMB15,971 million (2012: RMB11,869 million). As at 31 December 2013, total pledged assets accounted for approximately 30% of the total assets of our Group (2012: 35%).

Capital commitments

Our Group entered into certain agreements in respect of land acquisition and property development. As at 31 December 2013, our Group had a total capital commitment of RMB12,286 million (2012: RMB30,729 million).

Contingent liabilities

In line with the prevailing commercial practice in the Mainland China, our Group provides guarantees for mortgages extended to property buyers before completion of their mortgage registration. As at 31 December 2013, the total amount of the aforesaid guarantees provided by our Group was RMB5,733 million (2012: RMB3,837 million). In the past, our Group had not incurred any material loss from providing such guarantees, as the guarantees were given as a transitional arrangement that would be terminated upon the completion of the mortgage registration and were secured by the buyers' properties.

Property Development

1) Recognized sales

Revenue from property development business grew by 8% in 2013 and amounted to RMB28,146 million (2012: RMB26,053 million). Saleable GFA delivered increased by 19% from approximately 2,055,000 sq.m.

in 2012 to approximately 2,445,000 sq.m. in 2013. Excluding car parks sales, the average selling price recognized in 2013 was about RMB12,200 per sq.m. (2012: RMB13,000 per sq.m.).

Revenue and saleable GFA delivered from each project during the 2013 are set out below:

Region	Cities	Projects	Revenue (RMB million)	Saleable GFA delivered (sq.m.)	Average selling price recognized (RMB/sq.m.)	Interest attributable to our Group (%)
Beijing	Beijing	Ocean Crown	262	4,829	54,300	100%
		Ocean Great Harmony	224	4,029	55,600	100%
		Ocean LA VIE	2,645	52,009	50,900	85.72%
		Ocean Landscape Eastern Area E02/03 Project	37	1,551	23,900	100%
		Ocean Manor	635	31,750	20,000	100%
		Ocean Oriental Mansion	194	11,054	17,600	100%
		Ocean Palace	1,028	35,851	28,700	100%
		POETRY OF RIVER	421	15,290	27,500	100%
		The Place	836	42,056	19,900	100%
		Mizhiyun Project	311	39,768	7,800	90%
			6,593	238,187	27,700	
Pan-Bohai Rim	Dalian	Ocean Holiday Manor	96	12,209	7,900	100%
		Ocean Plaza	65	5,698	11,400	100%
		Ocean Seasons	80	3,961	20,200	100%
		Ocean TIMES	2,022	304,038	6,700	100%
		Ocean Worldview	2,106	241,030	8,700	100%
	Qingdao	Ocean Prospect	1,938	102,451	19,000	100%
	Qinhuangdao	Ocean Century	176	7,960	22,100	100%

MANAGEMENT DISCUSSION & ANALYSIS

Region	Cities	Projects	Revenue (RMB million)	Saleable GFA delivered (sq.m.)	Average selling price recognized (RMB/sq.m.)	Interest attributable to our Group (%)
Northeastern Region	Tianjin	Ocean City	861	104,892	8,200	100%
		Ocean Express	3	392	7,700	97.05%
		Ocean Great Harmony	781	64,814	12,000	100%
		Ocean International Center	145	9,798	14,800	96.99%
		Ocean Prospect	81	6,962	11,600	100%
			8,354	864,205	9,700	
	Changchun	Ocean Cannes Town	719	94,764	7,600	51%
	Fushun	Ocean City	472	100,579	4,700	65%
	Shenyang	Ocean Paradise	1,181	125,672	9,400	100%
		Ocean Residence	708	85,547	8,300	100%
			3,080	406,562	7,600	
Yangtze River Delta & Along Yangtze River	Chongqing	Sino-Ocean International GOLF Resort	721	94,958	7,600	87.25%
	Hangzhou	Ocean Mansion	4,061	118,211	34,400	51%
	Huangshan	An Island Paradise	162	18,508	8,800	100%
	Shanghai	BOND CASTLE	148	2,596	57,000	100%
		Ocean Mansion No.7	1,108	68,982	16,100	100%
	Wuhan	Ocean Manor	219	20,183	10,900	55%
		Ocean World	9	1,524	5,900	55%
	Zhenjiang	Ocean Beach	366	60,239	6,100	55%
			6,794	385,201	17,600	

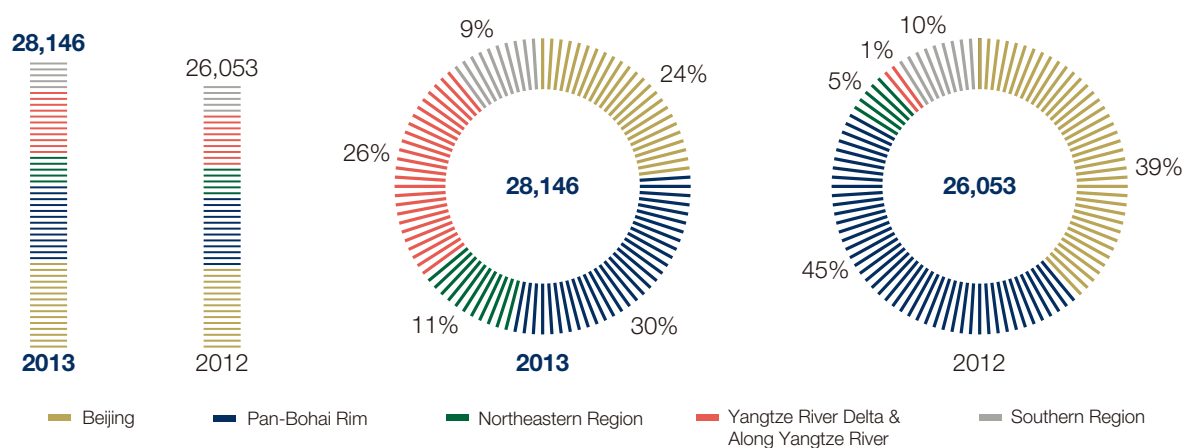
Region	Cities	Projects	Revenue (RMB million)	Saleable GFA delivered (sq.m.)	Average selling price recognized (RMB/sq.m.)	Interest attributable to our Group (%)
Southern Region	Haikou	Ocean Zen House	91	6,606	13,800	70%
	Sanya	Ocean Mansion	52	2,505	20,800	70%
	Zhongshan	Ocean City	1,612	197,412	8,200	100%
		Ocean New Era	771	137,402	5,600	80%
			2,526	343,925	7,300	
Subtotal			27,347	2,238,080	12,200	
Car parks (various projects)			799	207,400	3,900	
Total			28,146	2,445,480	11,500	

During 2013, Beijing remained the largest contributor which accounted for 24% of total revenue from property development (2012: 39%). Meanwhile, contributions from cities including Dalian, Tianjin,

Shanghai, Zhongshan and Hangzhou, accounting for 47% of revenue from property development during the year.

Revenue from property development by geographical locations are analyzed below:

(RMB million)



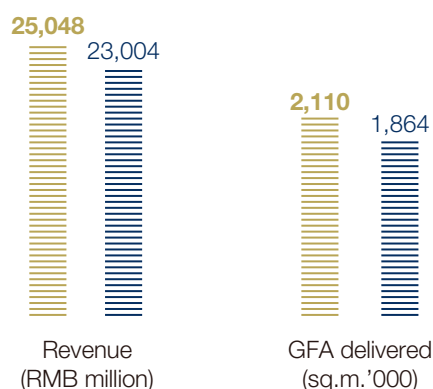
MANAGEMENT DISCUSSION & ANALYSIS

In terms of property types, residential properties (including villa) continued to contribute the largest portion of property development revenue, accounting for 89% in 2013 (2012: 88%). The average selling price recognized for the revenue from residential properties

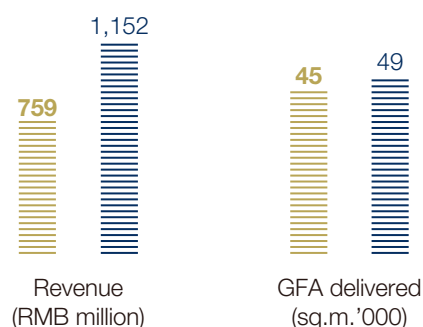
(including villa) in 2013 was about RMB11,900 per sq.m. (2012: RMB12,300 per sq.m.) while corresponding total saleable GFA delivered increased by 13% from approximately 1,864,000 sq.m. in 2012 to approximately 2,110,000 sq.m. in 2013.

Revenue from property development in terms of property types are analyzed below:

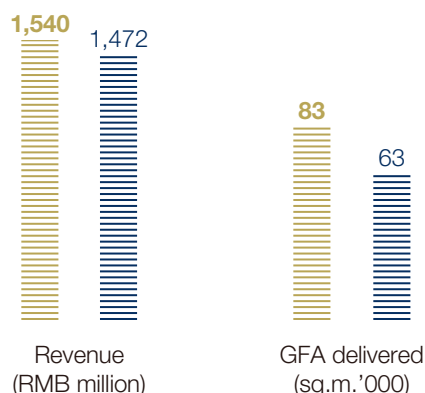
Residential and villa



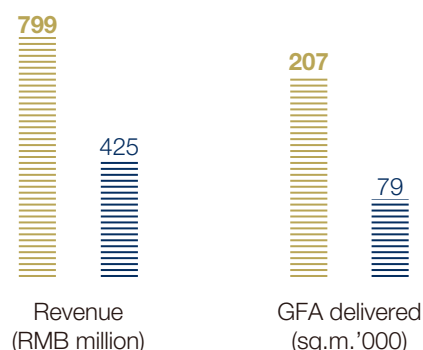
Office premises



Retail space



Car parks



2) Contracted sales

Our contracted sales in 2013 amounted to RMB35,818 million, representing an approximately 15% increase compared to RMB31,119 million in 2012. The increase was due to the increment in the average selling price. Apart from the contracted sales of our joint venture project, Pinnacle One in Chengdu, there were more

contributions from first and second-tier cities, the average selling price increased by 17% to RMB14,100 per sq.m. (2012: RMB12,100 per sq.m.) excluding car parks and by 15% to RMB13,700 per sq.m. (2012: RMB11,900 per sq.m.) including car parks.

The contracted sales amounts and saleable GFA sold by projects in 2013 are set out below:

Region	Cities	Projects	Contracted sales amount (RMB million)	Saleable GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Interest attributable to our Group (%)
Beijing	Beijing	Ocean Crown	3,427	59,214	57,900	100%
		Ocean LA VIE	2,703	39,492	68,400	85.72%
		Ocean Landscape Eastern Area E02/03 Project	741	28,402	26,100	100%
		Ocean Manor	90	4,007	22,500	100%
		Ocean Oriental Mansion	80	3,386	23,600	100%
		Ocean Palace	1,889	57,077	33,100	100%
		POETRY OF RIVER	330	10,601	31,100	100%
		The Place	268	13,559	19,800	100%
		Mizhiyum Project	250	39,768	6,300	90%
			9,778	255,506	38,300	
Pan-Bohai Rim	Dalian	Ocean Diamond Bay	2,397	157,077	15,300	100%
		Ocean Holiday Manor	199	20,473	9,700	100%
		Ocean Plaza	45	3,066	14,700	100%
		Ocean Seasons	67	3,423	19,600	100%
		Ocean TIMES	527	78,659	6,700	100%
		Ocean Worldview	1,767	158,228	11,200	100%
	Qingdao	Ocean Prospect	564	26,690	21,100	100%
		Ocean Seasons	578	34,603	16,700	100%
	Qinhuangdao	Ocean Century	1,071	132,855	8,100	100%
	Tianjin	Ocean City	933	107,002	8,700	100%
		Ocean Express	7	777	9,000	97.05%
		Ocean Great Harmony	853	58,710	14,500	100%
		Ocean International Center	26	1,718	15,100	96.99%
		Ocean Prospect	911	77,270	11,800	100%
			9,945	860,551	11,600	

MANAGEMENT DISCUSSION & ANALYSIS

Region	Cities	Projects	Contracted sales amount (RMB million)	Saleable GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Interest attributable to our Group (%)
Northeastern Region	Changchun	Ocean Cannes Town	801	94,230	8,500	51%
	Fushun	Ocean City	398	83,541	4,800	65%
	Shenyang	Ocean Paradise	90	12,039	7,500	100%
		Ocean Residence	399	46,855	8,500	100%
			1,688	236,665	7,100	
Yangtze River Delta & Along Yangtze River	Chongqing	Sino-Ocean International GOLF Resort	838	108,762	7,700	87.25%
	Hangzhou	Grand Canal Milestone	801	21,749	36,800	70%
		Ocean In Your Heart	1,092	58,585	18,600	100%
		Ocean Mansion	794	19,636	40,400	51%
	Huangshan	An Island Paradise	92	10,238	9,000	100%
	Shanghai	Ocean Chanson Mansion	1,789	84,457	21,200	100%
		Ocean Mansion No.7	213	11,621	18,300	100%
	Wuhan	Ocean Manor	185	17,788	10,400	55%
		Ocean World	8	1,267	6,300	55%
	Zhenjiang	Ocean Beach	1,095	174,813	6,300	55%
			6,907	508,916	13,600	

Region	Cities	Projects	Contracted sales amount (RMB million)	Saleable GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Interest attributable to our Group (%)
Southern Region	Haikou	Ocean Zen House	104	7,633	13,600	70%
	Sanya	Ocean Mansion	6	303	19,800	70%
	Shenzhen	Ocean Express	1,551	79,795	19,400	84.70%
	Zhongshan	Ocean City	2,770	286,838	9,700	100%
		Ocean New Era	1,002	159,283	6,300	80%
			5,433	533,852	10,200	
Subtotal			33,751	2,395,490	14,100	
Car parks (various projects)			1,012	133,087	7,600	
Subtotal			34,763	2,528,577	13,700	
Other						
Yangtze River Delta & Along Yangtze River	Chengdu	Pinnacle One*	1,055	54,587	19,300	50%
Total			35,818	2,583,164	13,900	

* Contracted sales amount and saleable GFA sold represented 50% share of project interest

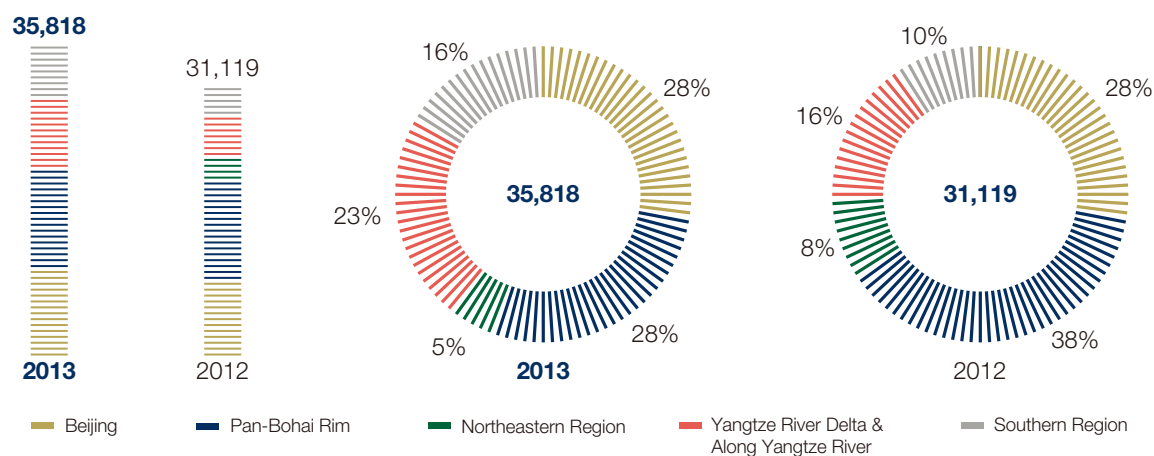
In terms of geographical distribution, there were altogether 43 projects available for sale during 2013 (2012: 41 projects), of which 23 were located in Beijing and Pan-Bohai Rim, accounting for about 56% of the total contracted sales amount. We began to see the effect of our nationwide coverage in that contracted sales from Beijing only accounted for 28% (2012: 28%)

and contributions from Yangtze River Delta and along Yangtze River increased from 16% in 2012 to 23% in 2013. As at 31 December 2013, our Group's unbooked contracted sales to be recognized amounted to RMB42,547 million, providing a strong and solid foundation for our Group's future revenue growth.

MANAGEMENT DISCUSSION & ANALYSIS

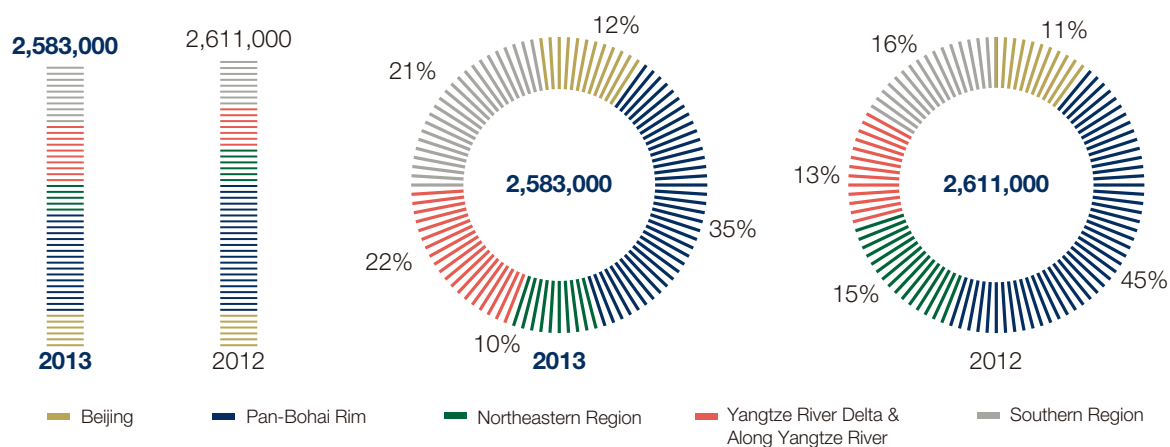
Contracted sales amounts by geographical locations are analyzed below:

(RMB million)



Saleable GFA sold by geographical locations are analyzed below:

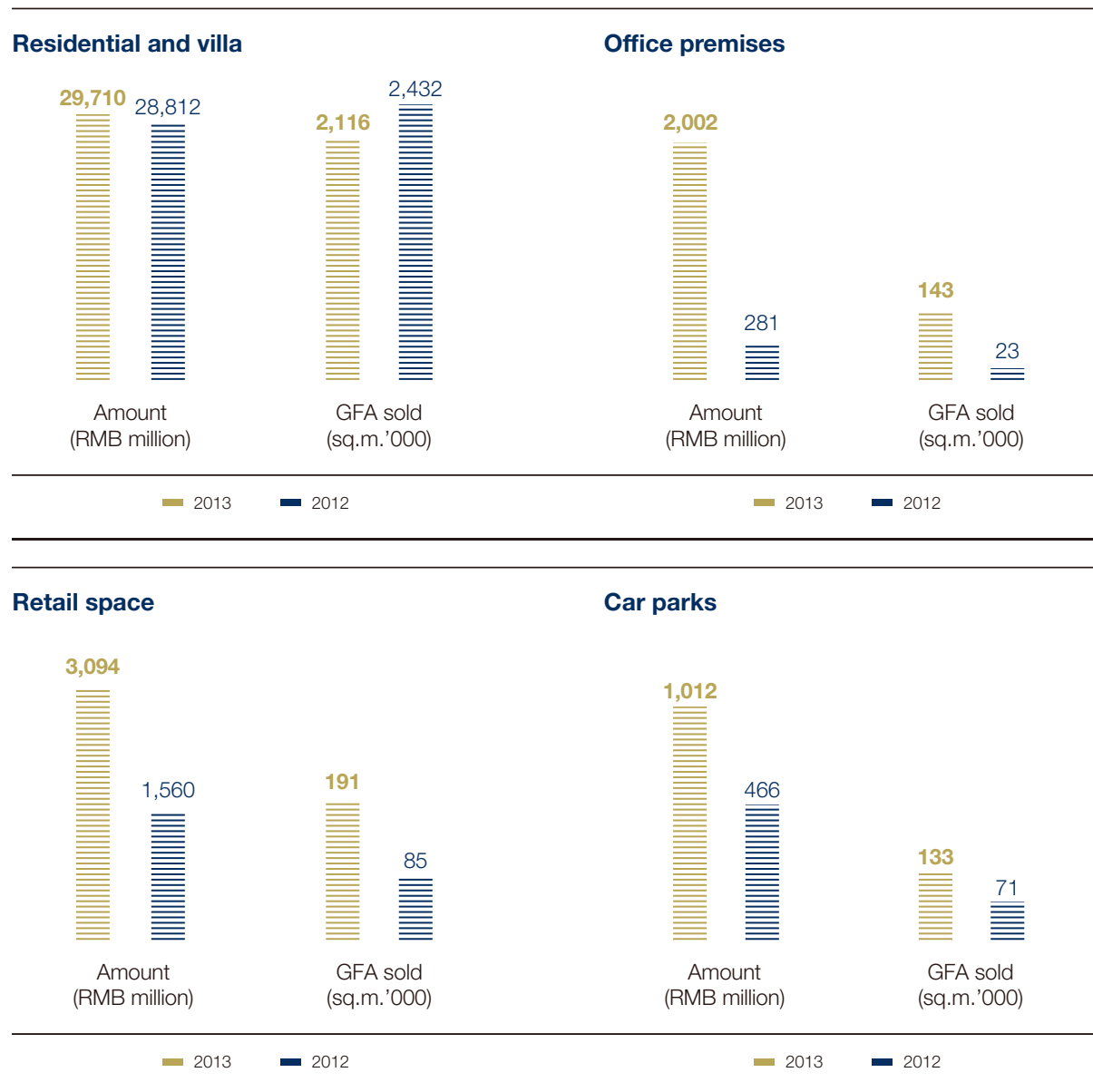
(sq.m.)



In terms of property types, residential properties (including villa) continued to contribute the largest portion of contracted sales amount and accounted for 83% in 2013 (2012: 93%). The average selling price for residential properties (including villa) in 2013 was about

RMB14,000 per sq.m. (2012: approximately RMB11,800 per sq.m.) while the total GFA sold for residential use decreased by 13% from approximately 2,432,000 sq.m. in 2012 to approximately 2,116,000 sq.m. in 2013.

Contracted sales amount in terms of property types are analyzed below:



MANAGEMENT DISCUSSION & ANALYSIS

3) Construction Progress and Developing Projects

Total GFA and total saleable GFA completed in 2013 were approximately 4,027,000 sq.m. and 3,180,000 sq.m., going up by 42% and 35% respectively compared to that in 2012. Meanwhile, we will maintain

our construction scale in order to have enough GFA available for sale and for delivery to support our growth in 2014.

The details of construction progress and development progress are set out below:

Region	Cities	Projects	GFA completed in 2013 (sq.m.)	Targeted GFA to be completed in 2014 (sq.m.)
Beijing	Beijing	Ocean Crown	21,000	159,000
		Ocean Great Harmony	8,000	–
		Ocean LA VIE	86,000	38,000
		Ocean Landscape Eastern Area E02/03 Project	29,000	72,000
		Ocean Manor	41,000	27,000
		Ocean Palace	88,000	170,000
		Ocean International Center, Phase II	–	88,000
			273,000	554,000
Pan-Bohai Rim	Dalian	Ocean Diamond Bay	–	527,000
		Ocean Holiday Manor	16,000	24,000
		Ocean MIDTOWN	–	91,000
		Ocean TIMES	416,000	–
		Ocean Worldview	410,000	374,000
	Qingdao	Ocean Prospect	147,000	–
		Ocean Seasons	–	146,000
	Qinghuangdao	Ocean Century	398,000	200,000
	Tianjin	Ocean City	249,000	171,000
		Ocean Great Harmony	96,000	–
		Ocean Prospect	–	187,000
		Ocean International Center	160,000	–
			1,892,000	1,720,000
Northeastern Region	Changchun	Ocean Cannes Town	207,000	54,000
	Fushun	Ocean City	110,000	118,000
	Shenyang	Ocean Paradise	149,000	61,000
		Ocean Residence	181,000	–
			647,000	233,000
Yangtze River Delta & Along Yangtze River	Chengdu	Sino-Ocean Taikoo Li Chengdu	–	403,000
	Chongqing	Sino-Ocean International GOLF Resort	234,000	81,000
	Hangzhou	Canal Business Center Project	187,000	–
		Grand Canal Milestone	–	160,000
		Ocean In Your Heart	–	169,000
	Huangshan	An Island Paradise	33,000	–
	Shanghai	BOND CASTLE	65,000	–
		Ocean Chanson Mansion	138,000	122,000
		Ocean Mansion No. 7	118,000	–
	Zhenjiang	Ocean Beach	97,000	78,000
			872,000	1,013,000

Region	Cities	Projects	GFA completed in 2013 (sq.m.)	Targeted GFA to be completed in 2014 (sq.m.)
Southern Region	Shenzhen	Ocean Express	–	116,000
	Zhongshan	Ocean City	191,000	281,000
		Ocean New Era	152,000	80,000
			343,000	477,000
Total			4,027,000	3,997,000

4) Landbank

Our Group's landbank decreased by 7% to 21,353,000 sq.m in 2013. (2012: 22,969,000 sq.m.); while landbank with attributable interest decreased by 5% to 18,337,000 sq.m. (2012: 19,375,000 sq.m.). During 2013, we acquired 4 plots of land with total GFA of

740,000 sq.m. and attributable interest of approximately 497,000 sq.m. with average acquisition cost per sq.m. of about RMB1,800. The average land cost per sq.m. for our landbank as at 31 December 2013 was approximately RMB3,300 (2012: RMB3,200).

Details of the newly acquired land plot during 2013 are as follows:

Cities	Projects	Total GFA acquired (sq.m.)	GFA attributable to our Group (sq.m.)	Interest attributable to our Group (%)
Beijing	Ocean Melody	57,000	57,000	100%
Tianjian	Royal River	112,000	112,000	100%
Zhongshan	Dongfeng Project	199,000	101,000	51%
	Nantou Project	372,000	227,000	61%
Total		740,000	497,000	

The landbank by stages of development as at 31 December 2013 are set out below:

	Approximate total GFA (sq.m.)	Approximate total saleable GFA (sq.m.)	Remaining landbank (sq.m.)
Completed properties held for sales	10,071,000	8,777,000	2,717,000
Properties under development	7,053,000	5,868,000	7,053,000
Properties held for future development	11,583,000	8,759,000	11,583,000
Total	28,707,000	23,404,000	21,353,000

MANAGEMENT DISCUSSION & ANALYSIS

Our Group's landbank as at 31 December 2013 was as below:

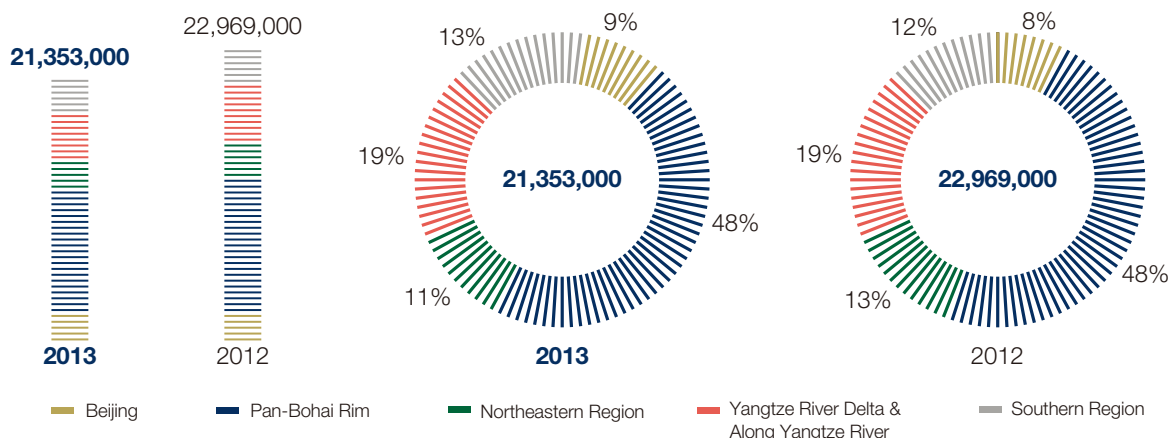
Region	Cities	Projects	Approximate total GFA (sq.m.)	Approximate total saleable GFA (sq.m.)	Remaining landbank (sq.m.)	Interest attributable to our Group (%)
Beijing	Beijing	CBD Plot Z6	245,000	190,000	245,000	100%
		CBD Plot Z13	120,000	108,000	120,000	10%
		Ocean Melody	57,000	41,000	57,000	100%
		Ocean International Center, Phase II	88,000	78,000	88,000	35%
		Ocean Crown	211,000	181,000	204,000	100%
		Ocean LA VIE	318,000	301,000	225,000	85.72%
		Ocean Landscape Eastern Area E02/03 Project	101,000	94,000	99,000	100%
		Ocean Manor	245,000	219,000	172,000	100%
		Ocean Oriental Mansion	175,000	151,000	12,000	100%
		Ocean Palace	436,000	385,000	396,000	100%
		POETRY OF RIVER	793,000	705,000	173,000	100%
		The Place	102,000	86,000	17,000	100%
		Mizhiyun Project	80,000	71,000	40,000	90%
			2,971,000	2,610,000	1,848,000	
Pan-Bohai Rim	Dalian	Ocean Diamond Bay	2,587,000	1,629,000	2,587,000	100%
		Ocean Holiday Manor	410,000	347,000	321,000	100%
		Ocean MIDTOWN	91,000	73,000	91,000	100%
		Ocean Seasons	138,000	104,000	6,000	100%
		Ocean TIMES	563,000	473,000	112,000	100%
		Ocean Worldview	2,020,000	1,473,000	1,004,000	100%
		Sino-Ocean Technopole	922,000	540,000	922,000	100%
		Wyndham Grand Plaza	111,000	52,000	111,000	100%
		Royale Sino-Ocean				
		Xiaoyao Bay Project	219,000	175,000	219,000	100%
		The Place of Glory	933,000	866,000	933,000	100%
	Qingdao	Ocean Honored Chateau	133,000	78,000	133,000	100%
		Ocean Prospect	147,000	109,000	34,000	100%
		Ocean Seasons	146,000	114,000	146,000	100%
	Qinhuangdao	Ocean Century	1,481,000	1,383,000	1,473,000	100%
	Tianjin	Ocean City	2,164,000	1,985,000	1,371,000	100%
		Ocean Express	337,000	288,000	52,000	97.05%
		Ocean Great Harmony	361,000	342,000	213,000	100%
		Ocean International Center	322,000	308,000	225,000	96.99%
		Ocean Prospect	320,000	265,000	201,000	100%
		Royal River	112,000	103,000	112,000	100%
			13,517,000	10,707,000	10,266,000	

Region	Cities	Projects	Approximate total GFA (sq.m.)	Approximate total saleable GFA (sq.m.)	Remaining landbank (sq.m.)	Interest attributable to our Group (%)
Northeastern Region	Changchun	Ocean Cannes Town	1,165,000	1,049,000	967,000	51%
	Fushun	Ocean City	1,390,000	1,355,000	1,287,000	65%
	Shenyang	Ocean Paradise	712,000	630,000	84,000	100%
		Ocean Residence	181,000	139,000	95,000	100%
			3,448,000	3,173,000	2,433,000	
Yangtze River Delta & Along Yangtze River	Chengdu	Sino-Ocean Taikoo Li Chengdu	417,000	348,000	417,000	50%
	Chongqing	Sino-Ocean International GOLF Resort	561,000	470,000	458,000	87.25%
	Hangzhou	Canal Business Center Project	923,000	458,000	776,000	51%
		Grand Canal Milestone	208,000	140,000	208,000	70%
		Ocean In Your Heart	169,000	109,000	169,000	100%
	Huangshan	An Island Paradise	88,000	87,000	62,000	100%
	Shanghai	BOND CASTLE	192,000	88,000	185,000	100%
		Ocean Chanson Manson	368,000	314,000	368,000	100%
		Ocean Mansion No.7	110,000	94,000	42,000	100%
	Wuhan	Ocean Manor	80,000	72,000	18,000	55%
		Ocean World	477,000	396,000	420,000	55%
	Zhenjiang	Ocean Beach	899,000	700,000	808,000	55%
			4,492,000	3,276,000	3,931,000	
Southern Region	Haikou	Ocean Zen House	109,000	106,000	100,000	70%
	Sanya	Ocean Mansion	55,000	48,000	4,000	70%
		Tang Di Project	14,000	12,000	14,000	52.5%
	Shenzhen	Ocean Express	557,000	438,000	557,000	84.7%
		Shengping Project	391,000	300,000	391,000	55%
	Zhongshan	Dongfeng Project	199,000	189,000	199,000	51%
		Nantou Project	372,000	346,000	372,000	61%
		Ocean City	2,089,000	1,725,000	880,000	100%
		Ocean New Era	493,000	474,000	358,000	80%
			4,279,000	3,638,000	2,875,000	
Total			28,707,000	23,404,000	21,353,000	

MANAGEMENT DISCUSSION & ANALYSIS

The landbank by geographical locations as at 31 December 2013 and 2012 are analyzed below:

(sq.m.)



Property Investment

Investment properties provide a steady and reliable income and cash flow to our Group in addition to the possible capital gains from appreciation in value. They also help us to diversify our risk from market turbulence in the property development business. In 2013, revenue from property investment increased by 33% to RMB550 million (2012:

RMB414 million). As at 31 December 2013, our Group held 6 operating investment properties and several car parks for rental excluding those held by our subsidiary, Gemini Investments (Holdings) Limited. Our investment properties are mainly A-grade office premises with a total leasable area of approximately 521,000 sq.m.

List of our operating investment properties as at 31 December 2013 as below:

	Approximate leasable area (sq.m.)	Office premises (sq.m.)	Retail space (sq.m.)	Others (sq.m.)	Occupancy rate as at 31 December 2013	Interest attributable to our Group
Ocean Plaza (Beijing)	30,000	26,000	–	4,000	100%	72%
Ocean International Center Block A (Beijing)	106,000	75,000	13,000	18,000	Over 95%	100%
Ocean Office Park (Beijing)	126,000	81,000	22,000	23,000	Over 84%	100%
Ocean We-life Plaza (Beijing)	31,000	–	31,000	–	84%	100%
Ocean We-life Plaza (Tianjin)	37,000	–	37,000	–	79%	96.99%
Ocean Express (Beijing) Car parks	15,000	–	–	15,000	84%	100%
Sub-total	345,000	182,000	103,000	60,000		
Other						
INDIGO (Beijing)	176,000	49,000	71,000	56,000	Over 94%	50%
Total	521,000	231,000	174,000	116,000		

COMMERCIAL PROPERTIES IN PROGRESS

Since its inception in 2010 nearly three years ago, Sino-Ocean Land's commercial business division has built a sound foundation for office complex operation and management. We have cultivated strengths in commercial project positioning; planning and design; development and construction; attracting investment; and project operation. To date, we have more than 20 commercial property projects in progress across China, including grade A offices, high-class shopping centres, five-star hotels and high quality serviced apartments.

In 2013, revenue from property investment amounted to RMB550 million. Our Group currently has six operating investment properties. During 2013, we had two additional investment properties, including Ocean We-life Plaza in Tianjin and also Ocean We-life Plaza in Beijing, which commenced operations. Our cooperation project Sino-Ocean Taikoo Li Chengdu with Swire Properties Limited is scheduled for soft opening in 2014.

We now have approximately 521,000 sq.m. of commercial real estate resources in operation, with office developments and commercial/hotel complexes accounting for about 50% and 50% respectively. In addition, we have more than 2,000,000 sq.m. of commercial property resources pending for development and operation by stages between 2014 and 2020. These include CBD offices in Beijing and stargraded hotels in popular tourist cities. Going forward, the Sino-Ocean Land commercial property brand will boast a strong portfolio of cross-regional and diversified products. They will provide a sound foundation for favourable investment yield and profitability level in the future.

Property Management

For the year ended 31 December 2013, our Group's revenue from the provision of property management services amounted to RMB591 million, representing a 30% increase compared to RMB453 million in 2012. A total GFA of 11,236,000 sq.m. (2012: 9,535,000 sq.m.) was covered by our Group's property management services which has significantly increased by 1,701,000 sq.m.

OTHER INFORMATION

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

In 2013, our Group had no investments in hedging speculative derivatives. In view of the potential Renminbi exchange rate fluctuations, our Group will consider arranging for monetary and interest rate hedge at appropriate times to avoid the corresponding risks.

Employees and Human Resources

As at 31 December 2013, our Group had 6,894 employees (31 December 2012: 6,414 employees). Continuing our efforts in 2012 to maintain a streamlined organization structure, the size of our workforce was largely unchanged. Both manpower effectiveness and our Group's control capability have been strengthened.

During 2013, taking into account the amortization of share options, the level of our overall staff cost was about RMB1,022 million (2012: RMB1,288 million). We believe the share option scheme implemented in previous years will provide long-term incentive and rewards to our staff.

We will continuously review our salary and compensation schemes to make them competitive to retain our talented staff and also provide various training and development programs so that these talented staff can ultimately bring in higher return to our shareholders and investors.

INVESTOR RELATIONS

Our Group has always adhered to the best practice in information disclosure in terms of accuracy, transparency and consistency. We are committed to maintaining the most effective communication with the financial community and other stakeholders in a sincere and honest manner. We also set as our goals investors' deeper understanding and approval of the Company's strategies, higher internal management proficiency and maximization of the Company's value.

LONG-TERM COMMITMENT FORTIFIES MARKET CONFIDENCE

In 2013 we set out the Company's long-term development plans, strategies and growth areas according to the macro-economic environment, policy trend and market movements with a view to drawing attention to the Company's special features and values, building trust and effective communication.

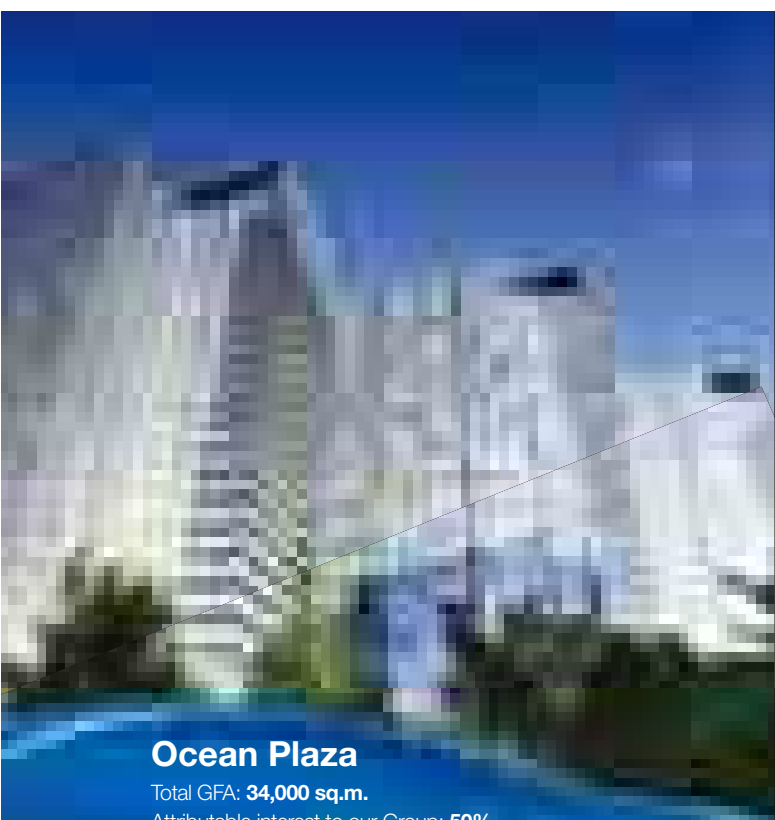
In the past year the Group hosted the 2012 annual results and 2013 interim results briefings, attracting nearly 300 investors and interested individuals to attend. Subsequently representatives from the management and the IR team arranged roadshows in Hong Kong, Singapore, US and Europe, meeting some 200 funds and other interested parties. Feedback from these roadshows indicated the market's approval of our Group's development and strategies. At the same time, management grasped better understanding of the capital market's demands on our Group and will give serious consideration to and where possible implementation of constructive suggestions.

In 2013 we had in-depth discussions with 300 funds and securities firms and over 100 retail shareholders. We also entertained some 250 interested individuals at over 90 site visits. Our efforts enhanced understanding of our products and the market by retail and institutional investors, analysts and stakeholders.

RAISING EFFICIENCY IN INFORMATION DISCLOSURE

We maintained our high standards in information disclosure in 2013 to ensure the timely dissemination of relevant corporate information via our official website and other channels. In addition we published our monthly unaudited operating statistics on the HKEX website to boost transparency and to ensure proper and fair access to relevant data for all parties in the capital market.

Our large-scale reverse roadshows in Chengdu and Beijing in October 2013 attracted some 30 securities firms to attend. After making a comprehensive presentation on the Company's management, operation and development strategy, the management encouraged some of the project senior managers to discuss details of the projects with analysts. This was our first presentation to investors since listing focusing on our high-end residential and commercial projects. It showcased the Company's market position in Beijing, the future of commercial properties and our team spirit. The activity further advanced our corporate image.



Ocean Plaza

Total GFA: **34,000 sq.m.**

Attributable interest to our Group: **50%**

Usage: **Office and retail space**



Senior Living L'Amore • Kaijian

Total saleable GFA: **6,400 sq.m.**

Attributable interest to our Group: **50%**

Usage: **Senior Housing**

Three additional securities firms covered us in 2013, bringing the number up to 27 firms. Over 80% of them including Citi, China International Capital Corporation, UBS, Macquarie, HSBC, Mizuho and Barclays rated Sino-Ocean Land as 'outperformed the market', 'buy' or 'hold'.

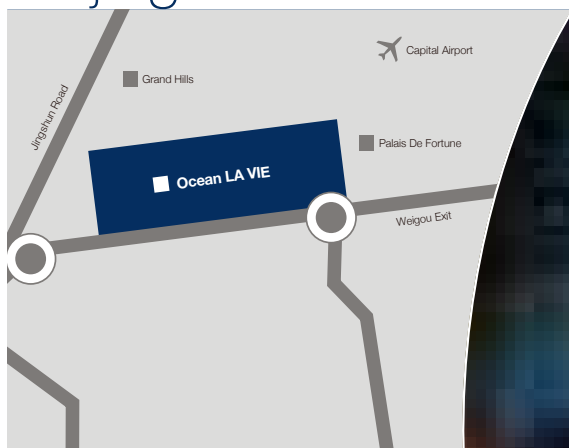
We listened carefully to our shareholders' concerns and addressed them. Beginning with the 2008 Annual General Meeting management representatives would always allow time after the meeting to speak with retail shareholders and answered their questions. It is our aim to let both individual shareholders and institutional shareholders discuss our operations personally with our representatives.

In May and November 2013 the Company held the Annual General Meeting and Extraordinary General Meeting, attracting more than 100 shareholders and relevant parties to attend. As always management representatives spoke personally with retail shareholders after the meetings.

We will continue with our efforts to gain more coverage and recommendations by securities firms; to encourage investors' approval, confidence and loyalty and to protect their interest. We are grateful to all stakeholders for their remarkable support. If you have questions or comments about our work, please contact us at ir@sinoceanland.com. We promise to provide answers to the extent permitted by applicable laws, regulations and the Listing Rules.

PROJECTS OVERVIEW — RESIDENTIAL PROPERTY

Beijing



Ocean LA VIE

Total GFA: **318,000 sq.m.**

Total saleable GFA: **301,000 sq.m.**

Attributable interest to our Group: **85.72%**

Usage: **Residential and villa**



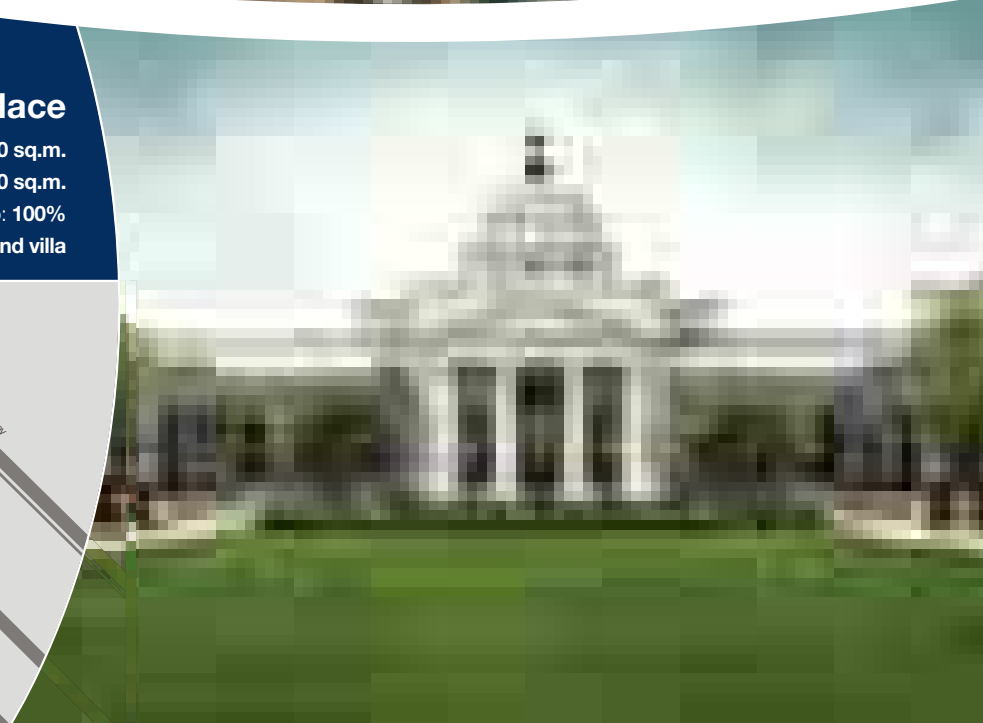
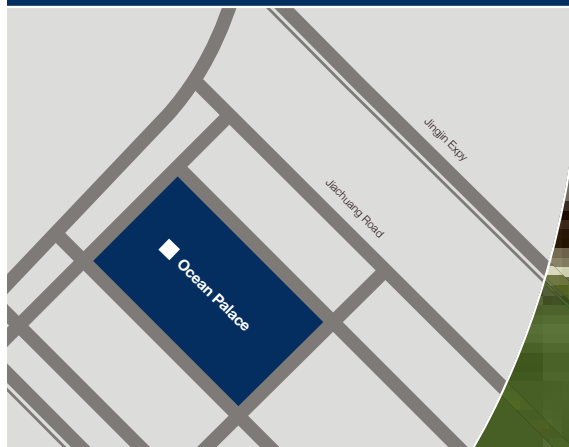
Ocean Palace

Total GFA: **436,000 sq.m.**

Total saleable GFA: **385,000 sq.m.**

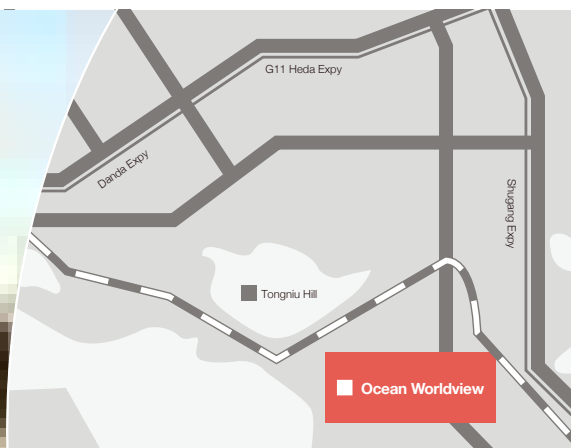
Attributable interest to our Group: **100%**

Usage: **Residential and villa**



Beijing

Dalian



Ocean Worldview

Total GFA: **2,020,000 sq.m.**

Total saleable GFA: **1,473,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and retail space**



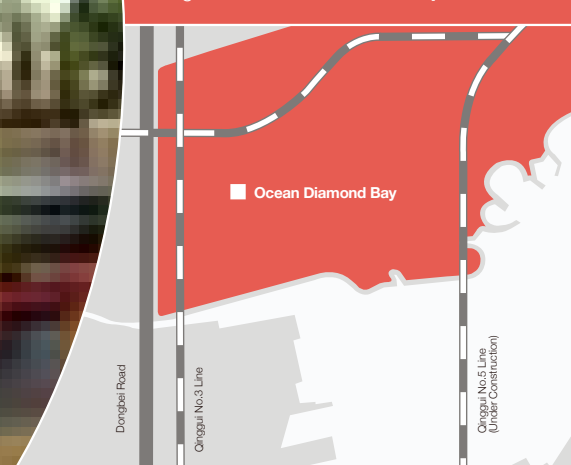
Ocean Diamond Bay

Total GFA: **2,587,000 sq.m.**

Total saleable GFA: **1,629,000 sq.m.**

Attributable interest to our Group: **100%**

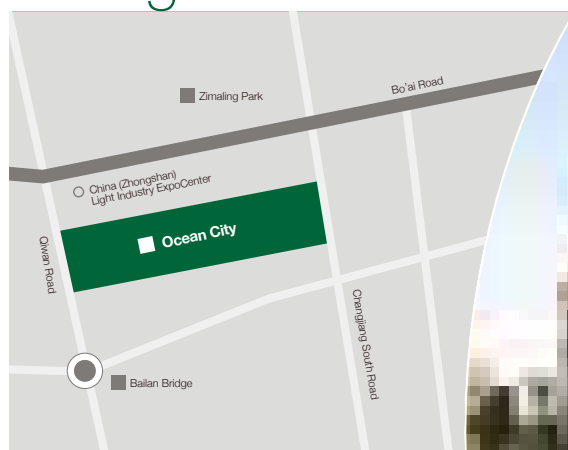
Usage: **Residential and retail space**



Dalian

PROJECTS OVERVIEW — RESIDENTIAL PROPERTY

Zhongshan



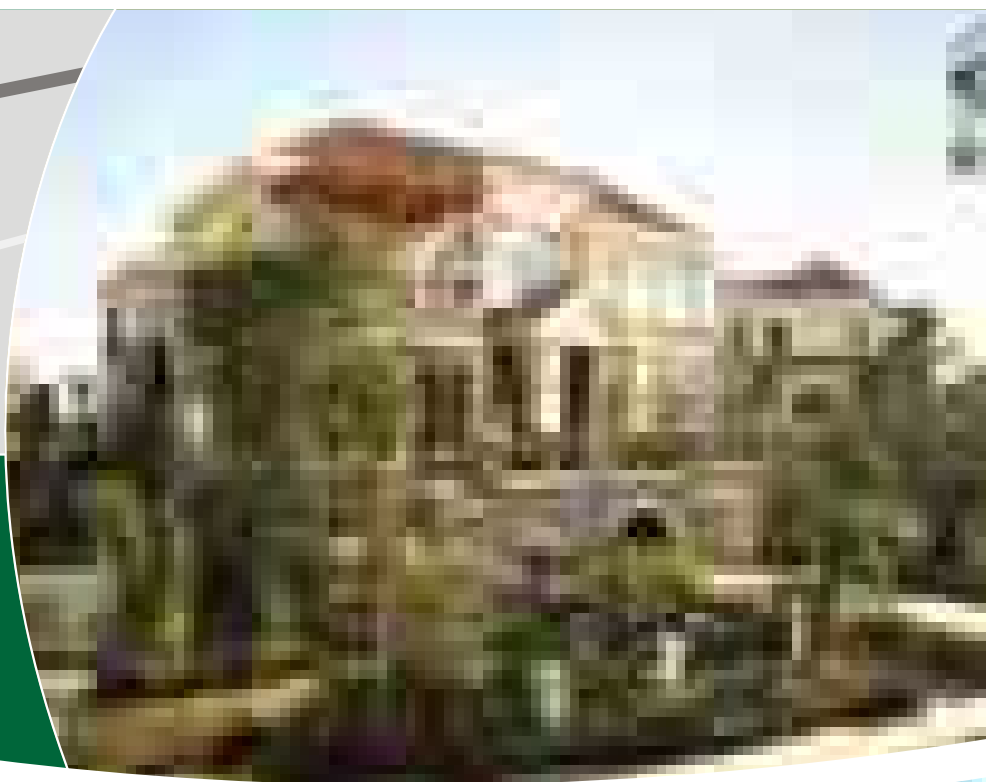
Ocean City

Total GFA: **2,089,000 sq.m.**

Total saleable GFA: **1,725,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and retail space**



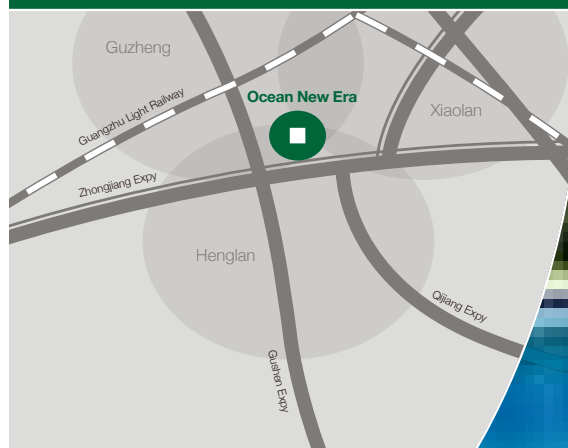
Ocean New Era

Total GFA: **493,000 sq.m.**

Total saleable GFA: **474,000 sq.m.**

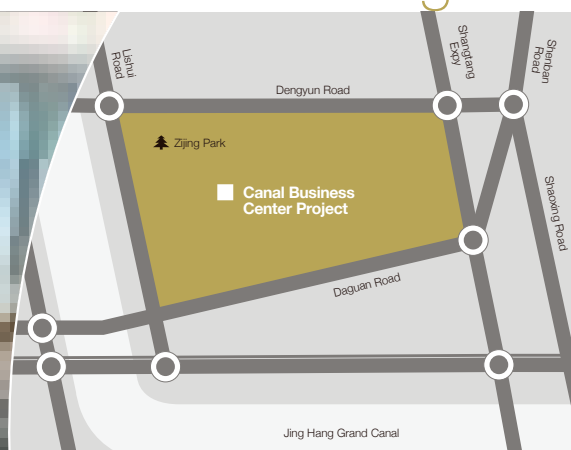
Attributable interest to our Group: **80%**

Usage: **Residential and retail space**



Zhongshan

Hangzhou



Canal Business Center Project

Total GFA: 923,000 sq.m.

Total saleable GFA: 458,000 sq.m.

Attributable interest to our Group: 51%

Usage: Residential and office



Bond Castle

Total GFA: 192,000 sq.m.

Total saleable GFA: 88,000 sq.m.

Attributable interest to our Group: 100%

Usage: Residential and villa



Shanghai

PROJECTS OVERVIEW — RESIDENTIAL PROPERTY

Chongqing



Sino-Ocean International GOLF Resort

Total GFA: 561,000 sq.m.

Total saleable GFA: 470,000 sq.m.

Attributable interest to our Group: 87.25%

Usage: Residential and retail space



Ocean City

Total GFA: 1,390,000 sq.m.

Total saleable GFA: 1,355,000 sq.m.

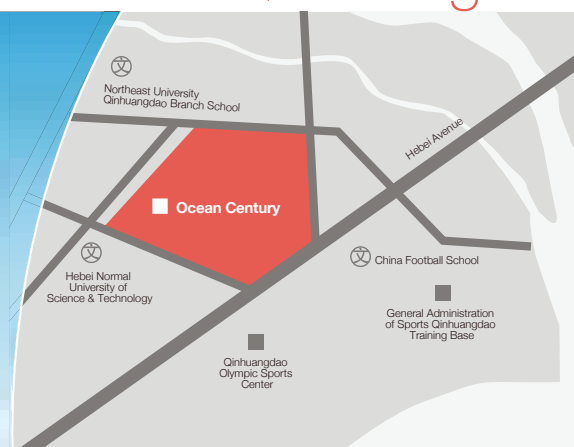
Attributable interest to our Group: 65%

Usage: Residential



Fushun

Qinhuangdao



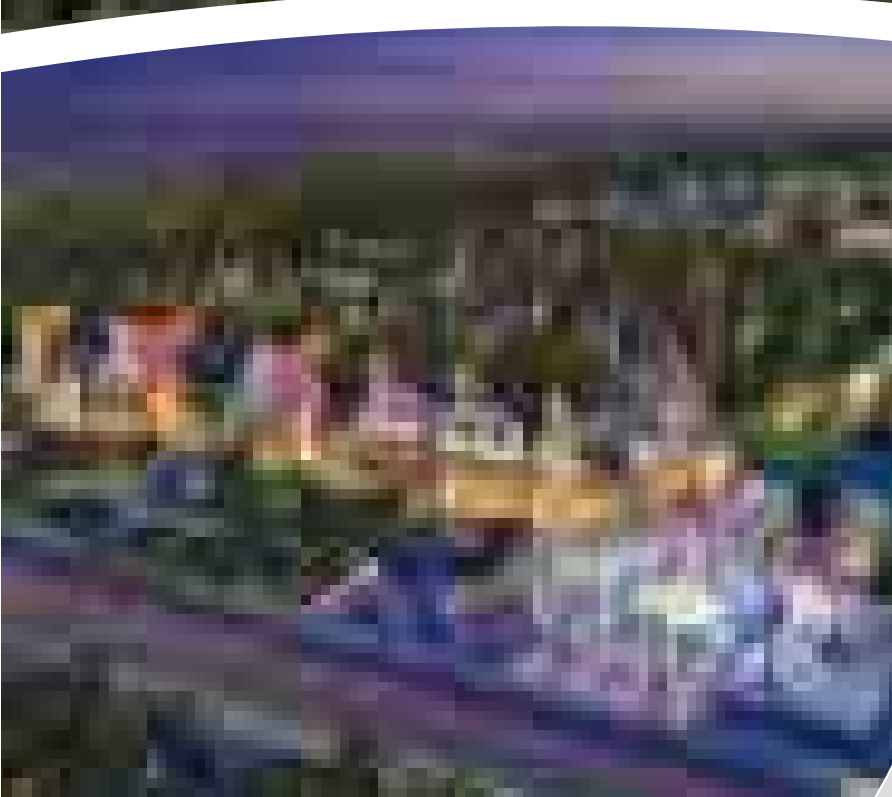
Ocean Century

Total GFA: **1,481,000 sq.m.**

Total saleable GFA: **1,383,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and retail space**



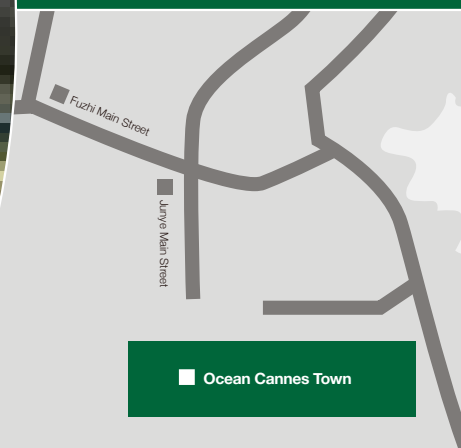
Ocean Cannes Town

Total GFA: **1,165,000 sq.m.**

Total saleable GFA: **1,049,000 sq.m.**

Attributable interest to our Group: **51%**

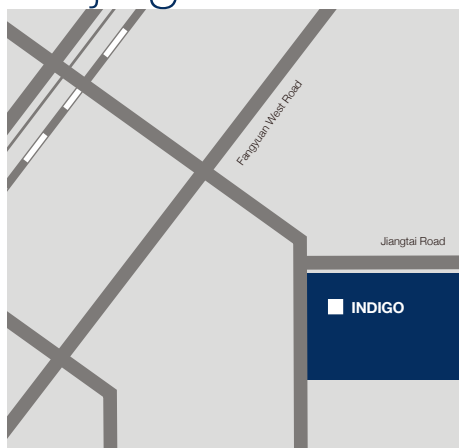
Usage: **Residential and retail space**



Changchun

PROJECTS OVERVIEW — COMMERCIAL PROPERTY

Beijing



INDIGO

Total GFA: **295,000 sq.m.**

Attributable interest to our Group: **50%**

Usage: **Office, hotel and retail space**

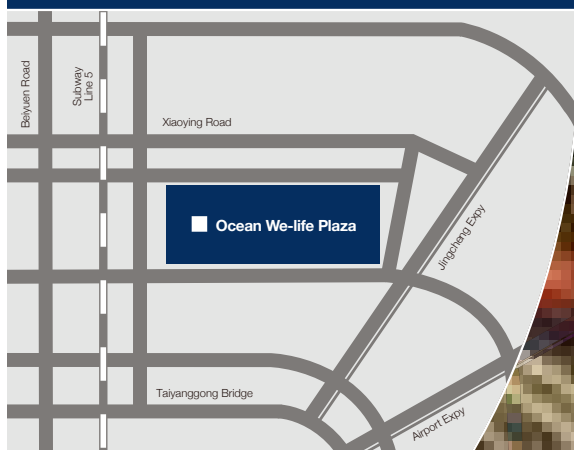


Ocean We-life Plaza

Total GFA: **90,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Office and retail space**



Beijing

Beijing

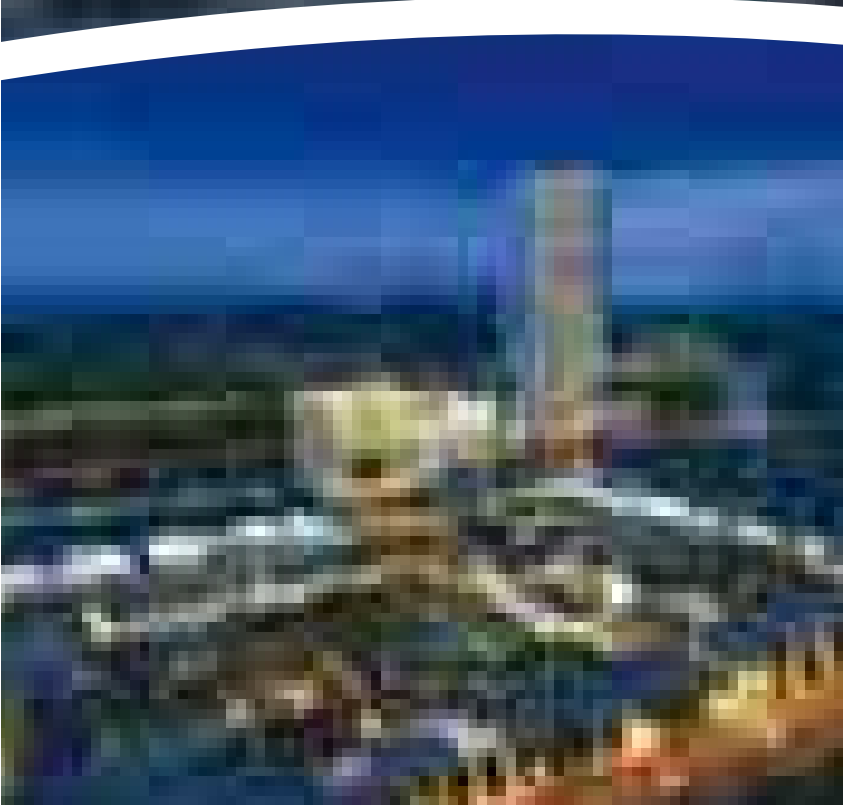


Ocean International Center, Phase II

Total GFA: **88,000 sq.m.**

Attributable interest to our Group: **35%**

Usage: **Office and retail space**

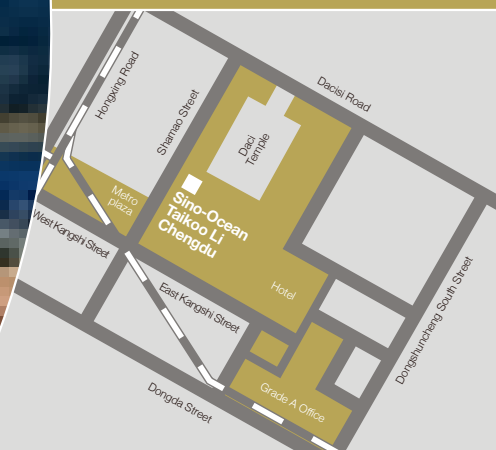


Sino-Ocean Taikoo Li Chengdu

Total GFA: **417,000 sq.m.**

Attributable interest to our Group: **50%**

Usage: **Office, hotel and retail space**



Chengdu

BIOGRAPHIES
OF DIRECTORS
AND SENIOR
MANAGEMENT

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR **Mr. LI Ming (李明)**



Mr. LI Ming, aged 50, is the Chairman of the Board, Chairman of the Nomination Committee and Chairman of the Investment Committee of the Board of the Company. Mr. Li joined the Group as a general manager in July 1997 and became the Chief Executive Officer in August 2006. Mr. Li also serves as chairman, legal representative, director or general manager of a number of our subsidiaries and project companies. With extensive experience in corporate governance, property development and property investment, Mr. Li is primarily responsible for our Company's overall operation management and implementation of development strategies. Mr. Li has been appointed a non-executive director, honorary chairman of the board and chairman of the nomination committee of Gemini Investments (Holdings) Limited ("Gemini"), an indirect subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 August 2013. Mr. Li obtained a Bachelor's Degree in Motor Vehicle Transportation from Jilin Industrial University in July 1985 and a Master's Degree in Business Administration from the China Europe International Business School in May 1998. He is also a qualified senior engineer. Mr. Li is currently a member of the People's Congress of the Chaoyang District of the Beijing Municipality and the vice-president of the China Real Estate Association.

EXECUTIVE DIRECTOR **Mr. CHEN Runfu (陳潤福)**



Mr. CHEN Runfu, aged 49, is the Vice President of the Company. Mr. Chen joined the Group in 1995. Mr. Chen also serves as a director or general manager of a number of our subsidiaries and project companies. With extensive experience in property development and property investment, Mr. Chen is primarily responsible for the Group's strategy management, investment management, equity management and brand management. Mr. Chen obtained a Bachelor's Degree in Harbor and Channel Engineering from Dalian Institute of Technology (now known as Dalian University of Technology) in July 1986 and a Master's Degree in Business Administration from the China Europe International Business School in September 2005.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



EXECUTIVE DIRECTOR
Mr. WEN Haicheng (温海成)

Mr. WEN Haicheng, aged 45, is the Vice President of the Company. Mr. Wen joined the Group in January 2009. Mr. Wen obtained a Bachelor's Degree in Engineering from Chongqing Institute of Architecture and Engineering in July 1992, a Master's Degree in Engineering from Chongqing Jianzhu University and a doctorate degree in Management from Chongqing University in June 1999 and December 2007, respectively. Mr. Wen is a Chartered Builder of The Chartered Institute of Building, U.K. and a senior engineer at professor level. He has been the general manager of the Construction Business Division of China State Construction Engineering Corporation Limited. With extensive experience in engineering construction and project management, Mr. Wen is primarily engaged in the overall operation and management of the Company. He is also responsible for the management of the Group's various specialized subsidiaries, assisting the Chief Executive Officer in the Group's risk management and the operation and management of the Group's development business.



NON-EXECUTIVE DIRECTOR
Ms. LIU Hui (劉暉)

Ms. LIU Hui, aged 44, is a member of the Nomination Committee of the Board of the Company. Ms. Liu joined the Group in March 2010. Ms. Liu has over 20 years of experience in banking and investment management. She held various positions including departmental general manager and deputy general manager of China Life Insurance Asset Management Company Limited and division head of the headquarters of China Construction Bank. She was appointed as general manager of investment management department of China Life in February 2009. Ms. Liu is also a non-executive director of COFCO Futures Co., Ltd since August 2013. Ms. Liu graduated from Renmin University of China with a Bachelor's Degree in Economics in July 1992, and obtained a Master's Degree in Business Administration from Tsinghua University in June 2000. She is a senior economist. Ms. Liu is nominated by China Life.

NON-EXECUTIVE DIRECTOR
Mr. YANG Zheng (楊征)



Mr. YANG Zheng, aged 44, is a member of the Audit Committee of the Board of the Company. Mr. Yang joined the Group in March 2011. Mr. Yang joined China Life as assistant to the general manager of the finance department in July 2005 and was promoted to deputy general manager of the same department in October 2006. Mr. Yang had been the general manager of the finance department of China Life since March 2009, until his appointment as CFO in April 2013. Prior to joining China Life, Mr. Yang worked at China North Industries Corp. from August 1993 to August 1998 and as senior financial analyst at Molex Inc. in the USA from July 2000 to June 2005. Mr. Yang graduated from Beijing University of Technology in 1993. He then obtained a Master's Degree in Business Administration from Northeastern University in the USA in 2000. Mr. Yang is an economist, and a member of American Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Yang is nominated by China Life.

NON-EXECUTIVE DIRECTOR
Mr. CHEUNG Vincent Sai Sing (張世成)



Mr. CHEUNG Vincent Sai Sing, aged 33, is a member of the Investment Committee of the Board of the Company. Mr. Cheung joined the Group in March 2011. Mr. Cheung joined Nan Fung Development Limited ("Nan Fung Development") in 2009. Mr. Cheung is currently an executive director of Nan Fung Development and is responsible for leading the daily operation and the proposition, consultation and approval of investments of Nan Fung Development and its affiliated companies. He has extensive experience in the financial sector. Before joining Nan Fung Development, Mr. Cheung was the vice president of Interest Rates Structuring at Barclays Capital Asia Limited from 2008 to 2009, where he worked with a number of institutional and retail clients in Asia. Before that, Mr. Cheung was the vice president of Interest Rates Structuring and Medium Term Notes Trading at Citigroup Global Markets Asia Limited from 2004 to 2008. Mr. Cheung has been a Committee Member of the Shanghai Committee of Chinese People's Political Consultative Conference since 2012 and a Committee Member of the All-China Youth Federation and a Council Member of the Hong Kong United Youth Association since 2010. Mr. Cheung graduated from the University of California, Berkeley, graduating with honors in Molecular and Cell Biology in 2003. Mr. Cheung is nominated by Nan Fung Development.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



INDEPENDENT NON-EXECUTIVE DIRECTOR **Mr. TSANG Hing Lun (曾慶麟)**

Mr. TSANG Hing Lun, aged 64, is the chairman of the Audit Committee and a member of the Investment Committee of the Board of the Company. Mr. Tsang joined the Group in June 2007. Mr. Tsang is a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration (1st Class Honors) in 1973. Mr. Tsang has served in a senior management capacity in several publicly listed companies operating in Hong Kong and Singapore. Mr. Tsang joined Hang Seng Bank in 1973 and served for 17 years. He acted as an assistant general manager of the planning and development division. He joined the UOB Group in Singapore in 1990 as its head of International Branches Division and its first vice president. Mr. Tsang also acted as an executive director of China Champ Group in 1994, as an alternate chief executive and a deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr. Tsang currently acts as an independent non-executive director and the chairman of the audit committee of Sinotrans Shipping Limited and China Rongsheng Heavy Industries Group Holdings Limited, companies listed on the Stock Exchange. Mr. Tsang is also an independent non-executive director of China GrenTech Corporation Limited, a company previously listed on the NASDAQ of USA which was privatized at the end of April 2012. With effect from 15 May 2013, Mr. Tsang retired as independent non-executive director of Beijing Youth Media Corporation, a company listed on Stock Exchange. With effective from 15 June 2013, Mr. Tsang was appointed as an independent non-executive director by Nexteer Automotive Group Limited whose shares are listed on the main board of Stock Exchange and also nominated as chairman of the remuneration and nomination committee and member of the audit and compliance committee of that company.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Mr. GU Yunchang (顧雲昌)



Mr. GU Yunchang, aged 69, is a member of the Audit Committee, Nomination Committee, Remuneration Committee and the Investment Committee of the Board of the Company. Mr. Gu joined the Group in June 2007. He joined the Ministry of Construction in 1979 and has over 30 years' experience in market theory and policy research, including research and analysis of the PRC property market. Mr. Gu has participated in state level research projects such as China 2000 (2000年中國) and National Xiaokang Residential Property Technological Industry Project (小康住宅科技產業工程). Mr. Gu has been twice awarded the First Class National Science Technology Advance Award in China. Mr. Gu was appointed as the vice president and the secretary general of the China Real Estate Association from August 1998 to March 2006, vice-chairman of the China Real Estate Association Research in 2006, and executive chairman of China Real Estate Chamber of Commerce Alliance (中國房地產商會聯盟) in May 2013. Mr. Gu currently also serves as an independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in the USA. He has also been serving as an independent non-executive director of COFCO Property (Group) Co., Ltd., a company listed on the Shenzhen Stock Exchange, since 23 April 2012 and CIFI Holdings (Group) Co. Ltd., a company listed on the Stock Exchange, since November 2012 and as an independent director of Yasha Decoration Co., Ltd, a company listed on the Shenzhen Stock Exchange, since 23 April 2013. Mr. Gu retired as an independent non-executive director of Shimao Property Holdings Limited, a company listed on the Stock Exchange on 12 May 2011.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



INDEPENDENT NON-EXECUTIVE DIRECTOR **Mr. HAN Xiaojing (韓小京)**

Mr. HAN Xiaojing, aged 59, is the chairman of the Remuneration Committee, a member of the Nomination Committee and the Audit Committee of the Board of the Company. He joined the Group in June 2007. Mr. Han is the founding partner of the Commerce & Finance Law Offices. He has over 25 years' experience in the practice of corporate and securities laws in China especially in the restructuring of large-scale state owned enterprises and private companies and offshore listing of Chinese companies. Mr. Han obtained a Master's Degree in Law from China University of Political Science and Law in 1985. He is currently an independent non-executive director of Far East Horizon Limited, a company listed on the Stock Exchange. Mr. Han was a supervisor of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange and an independent director of Shenzhen Overseas Chinese Town Holding Company, a company listed on the Shenzhen Stock Exchange.



INDEPENDENT NON-EXECUTIVE DIRECTOR **Mr. ZHAO Kang (趙康)**

Mr. ZHAO Kang, aged 65, is a member of the Remuneration Committee and the Nomination Committee of the Board of the Company. He joined the Group in June 2007. With extensive experience in real estate industry, Mr. Zhao worked at the Beijing Municipal Commission of Urban and Rural Construction from 1978 to 1980, and served as the deputy general manager, general manager and chairman of Beijing Urban Development (Group) Co., Ltd. from 1980 to 2005. During the period from 2005 to 2012, Mr. Zhao was the chairman of Beijing National Olympics Investment Company Limited (北京國奧投資有限公司) which was in charge of the development and construction of the Beijing Olympic Village and the National Gymnasium in Beijing. Mr. Zhao graduated from the Department of Construction at Tsinghua University in 1975. Mr. Zhao was a Committee Member of the Tenth and Eleventh Sessions of the Beijing Committee of the Chinese People's Political Consultative Conference. Mr. Zhao was an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange.

SENIOR MANAGEMENT

Mr. LI Jianbo (李建波), aged 51, is the Vice President of the Company. Mr. Li joined the Group in September 2009. With extensive experience in human resources and operation management in multi-national companies, Mr. Li is the joint secretary of the Board of the Company, primarily engaged in the overall operation management and workflow management, and responsible for human resources management and secretarial administrative management of the Company. Mr. Li obtained a Bachelor's Degree in Computer Engineering from Tsinghua University in July 1985 and obtained a Master's Degree in Business Administration from the State University of New Jersey in the USA in August 2000. For the period from 22 October 2010 to 17 March 2011, Mr. Li was the chairman and an executive director of Gemini.

Mr. XU Li (徐立), aged 52, is the Vice President of the Company. Mr. Xu joined the Group in October 1997. With extensive experience in property development and property investment, Mr. Xu is primarily engaged in the overall management of the Company's operations and in charge of the daily management of the Company's Beijing regional management department and assisting the Chief Executive Officer in the operation management of the Group's development business. Mr. Xu obtained a Bachelor's Degree in Industrial and Residential Construction from the Liaoning Radio and Television University in December 1992 and obtained a Master's Degree in Business Administration from Cheung Kong Graduate School of Business in September 2010.

Mr. SUM Pui Ying, Adrian (沈培英), aged 52, is the Chief Financial Officer and the Company Secretary of the Company. Mr. Sum joined the Group in May 2007. Mr. Sum is a fellow member of the Hong Kong Institute of Certified Public Accountant and a member of the Institute of Chartered Accountants in England & Wales. With extensive experience in governing companies listed on the Stock Exchange, Mr. Sum is primarily engaged in the overall management of the Company's operations and responsible for the Company's financial management, company secretarial and compliance affairs and investor relations affairs and assisting in corporate financing and investment management. Mr. Sum obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, a Master's Degree in Business Administration from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996. Mr. Sum has been chairman and non-executive director of Gemini, and subsequently re-designated as an executive director, chief executive officer, the chairman of the investment committee and a member of the nomination committee of Gemini in August 2013.

Mr. CHEN Zuyuan (譚祖元), aged 52, is the Vice President of the Company. Mr. Chen joined the Group in February 2003. With extensive experience in property development and planning and design, Mr. Chen is primarily engaged in the overall management of the Company's operations, investigation, design, research and development as well as overall coordination of the Group's key projects, assisting in corporate financing, investment management and assisting the Chief Executive Officer in the execution of operation management of the Group's development business. Mr. Chen obtained a Bachelor's Degree in Industrial and Civil Construction from the Hunan University in July 1983 and a Master's Degree in Business Administration from the China Europe International Business School in September 2006.

Mr. LU Zhijun (陸志軍), aged 45, is the Vice President of the Company. Mr. Lu joined the Group in January 2009. With extensive experience in property development and property investment, Mr. Lu is primarily responsible for the overall operation management of the Company, in charge of the daily management of the Company's Dalian regional management department and assisting the Chief Executive Officer in the operation management of the Group's development business. Mr. Lu obtained a Master's Degree in Business Administration from Dongbei University of Finance and Economics in June 2006.

Mr. WANG Fushun (王福順), aged 52, is the Vice President of the Company. Mr. Wang joined the Group in 2002. With extensive experience in development and operation of residential and commercial properties, Mr. Wang is primarily responsible for the overall operation and management of the Company, overall management of Commercial Real Estate Division as a whole, and assisting the Chief Executive Officer in operation and management of the Group's commercial properties. Mr. Wang obtained a Bachelor's degree and a Master's Degree in Engineering Mechanical Design and Manufacturing from Northeast Forestry University in July 1982 and in March 1987, respectively.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended 31 December 2013.

PRINCIPAL OPERATIONS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. Its subsidiaries are mainly engaged in the real estate development, construction, reparation and decoration, property investment, property management and hotel operation businesses. The Group is one of the largest real estate companies in Beijing.

The analysis of the Group's revenue and operating results in its major operation activities is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 81.

During the year under review, an interim dividend in respect of the six months ended 30 June 2013 of HKD0.07 per ordinary share and a final dividend in respect of the financial year ended 31 December 2012 of HKD0.17 per ordinary share were paid respectively.

The Directors proposed to recommend at the forthcoming AGM to be held on Friday, 9 May 2014 the payment of a final dividend of HKD0.16 per ordinary share for the year ended 31 December 2013. The final dividend will be paid in cash, with a scrip dividend option offered to all shareholders excluding shareholders with registered addresses outside Hong Kong. The final dividend and the scrip dividend option are subject to the approval of the shareholders at the forthcoming AGM and the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the new shares. The final dividend will be paid to the shareholders whose name is standing in the register of members of ordinary shares of the Company on Thursday, 15 May 2014. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the "Share Registrar") at Shops

1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 15 May 2014.

The register of members of ordinary shares of the Company will be closed from Monday, 5 May 2014 to Friday, 9 May 2014 (both dates inclusive), during which period, no transfer of ordinary shares will be registered. In order to qualify for attending the forthcoming AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar no later than 4:30 p.m. on Friday, 2 May 2014.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2013 amounted to RMB1,306 million.

SHARE CAPITAL

Movements in the share capital of the Company during the year under review and as at 31 December 2013 are set out in note 27 to the consolidated financial statements.

FIXED ASSETS

Movements in the Group's fixed assets are set out in note 7 to the consolidated financial statements.

BORROWINGS AND CAPITALIZATION OF INTERESTS

Details of borrowings are set out in note 33 to the consolidated financial statements. Details of the Group's capitalized interest expenses and other borrowing costs during the year under review are set out in note 42 to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2013, the Group's donations to charity and other purposes were approximately RMB3 million (2012: RMB6 million).

REMUNERATION POLICY AND RETIREMENT BENEFITS OF THE GROUP

The Group's remuneration system has been determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level of the same industry in the market. The Company offers share options and introduces restricted share award scheme to competitive staff so as to provide staff remuneration package with market competitiveness and to ensure availability of human resources for the sustained development of the Company.

Details of the Group's the retirement benefit plans are set out in note 41 to the consolidated financial statements.

BASIS OF DETERMINING REMUNERATION TO DIRECTORS

The same remuneration philosophy is applicable to the Directors. Apart from benchmarking against the market, the Company looks at individual experience, qualification and responsibilities involved in the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Directors, including the share option scheme and the restricted share award scheme, similar to those offered to other employees of the Group.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 182.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year under review, 1,900,000 ordinary shares of the Company being repurchased on the Stock Exchange were cancelled and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effect by the Directors, pursuant to the mandate granted by shareholders in the Company's annual general meeting held on 10 May 2013, with a view to benefit shareholders as a whole in enhancing the net assets and the earnings per share of the Company. Details of the repurchases of such ordinary shares are as follows:

Month of the repurchases	Number of ordinary shares repurchased	Highest price paid by share (HKD)	Lowest price paid by share (HKD)	Aggregate consideration (HKD Million)
June 2013	1,900,000	4.50	4.49	8.55

Save as disclosed above and in the paragraphs headed "Restricted Share Award Scheme" and "Convertible Securities" below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

CONVERTIBLE SECURITIES

As announced by the Company on 27 July 2010, the perpetual subordinated convertible securities (the "Convertible Securities") were issued by Sino-Ocean Land Capital Finance Limited, a wholly-owned subsidiary of the Company, in an aggregate principal amount of USD900

million. The net proceeds from the issue of the Convertible Securities were applied in financing new and existing projects (including construction costs and land costs) and for general corporate purpose.

During the year under review, all Convertible Securities were repurchased or redeemed by the Company and were subsequently cancelled.

Details of Convertible Securities are set out in note 31 to the consolidated financial statements.

DIRECTORS' REPORT

CAPITAL SECURITIES

As announced by the Company on 6 May 2011, the perpetual subordinated capital securities callable 2016 (the "Capital Securities") were issued by a wholly-owned subsidiary of the Company in an aggregate principal amount of USD400 million, which have been fully subscribed by certain investors. The net proceeds from the issue of the Capital Securities were applied to finance new and existing projects (including construction costs, land costs and investment properties) and for general corporate purposes. Details of the Capital Securities are set out in note 32 to the consolidated financial statements.

RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme (the "Award Scheme") was adopted by the Board on 22 March 2010 (the "Adoption Date") as an incentive to retain and encourage employees for the continual operation and development of our Group. Unless early terminated by the Board, the Award Scheme shall continue in full force and effect from the Adoption Date for a term of 10 years.

According to the Award Scheme, the maximum number of shares to be awarded under the Award Scheme is 169,104,822 shares, representing 3% of the issued share

capital of the Company as at the Adoption Date. The restricted shares will be purchased by the trustee from the market out of cash contributed by our Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme. The shares awarded to the directors and employees of the Group at no consideration will be vested in three years in which 40% of awarded shares will be vested after one year from the date of award and 7.5% of awarded shares will be vested quarterly thereafter.

During the year under review, the trustee of the Award Scheme, pursuant to the terms of the rules and trust deed of the Award Scheme, acquired 2,189,184 shares of the Company by way of market acquisition at an aggregate consideration of approximately RMB3,673,000 (including transaction cost) and received scrip share in lieu of cash dividend in an amount of approximately RMB4,482,000. Up to 31 December 2013, 37,223,833 shares of the Company had been acquired from the market, at an aggregate consideration of approximately RMB140 million (including transaction costs), and from receiving scrip shares in lieu of cash dividend by the trustee, representing 0.66% of the issued share capital of the Company as at the Adoption Date.

Details of the number of shares awarded under Award Scheme and the shares vested during the year under review are set out below:

Date of award	Balance as at 1 January 2013	Awarded Shares			Balance as at 31 December 2013
		Shares awarded during the year	No. of shares vested during the year	No. of shares lapsed during the year (note)	
18 March 2011	6,247,296	—	(4,755,971)	(341,162)	1,150,163
18 March 2013	—	21,861,000	—	(28,000)	21,833,000
Total	6,247,296	21,861,000	(4,755,971)	(369,162)	22,983,163

Note: Pursuant to the Award Scheme, 369,162 awarded shares were lapsed upon the resignation of awardees.

SHARE OPTION SCHEME

A share option scheme of the Company (the "Share Option Scheme"), which was approved by the shareholders' written resolutions, is valid and effective for a period of 10 years until 27 September 2017, unless it is terminated early in accordance with the provisions of the Share Option Scheme. Under the Share Option Scheme, the Board may grant share options to eligible employees and directors of the Group. The purpose of the Share Option Scheme is to provide an incentive for employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of our shareholders, and to compensate employees of the Group for their contribution based on their individual performance and that of the Company.

The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 424,286,000 shares, representing

5.83% of the total number of shares of the Company as at 31 December 2013. Without prior approval from the Company's shareholders, the number of shares in respect of which share options were granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The share options granted under the Share Option Scheme are exercisable within five years period in which 40% of share options become exercisable after one year from the offer date, 70% of share options become exercisable after two years from the offer date, and all share options become exercisable after three years from the offer date. A consideration of HKD1.00 is payable by each grantee accepting on the grant of share options. Options are exercisable at a price that is determined by the Board of the Company, which will not be less than the higher of the closing price of the Company's shares on the offer date, and the average closing prices of the shares for the five business days immediately preceding the offer date.

During the year under review, movements of share options granted to the Directors, chief executives, and employees of the Group under the Share Option Scheme are as follows:

	Date of grant of share options	Exercise price per share (HKD)	No. of share options outstanding as at 1 January 2013	No. of share options exercised during the year (note i)	No. of share options lapsed during the year	No. of share options outstanding as at 31 December 2013
Directors						
Mr. LI Ming	19 Sept 2008	2.55	3,000,000	(3,000,000)	–	–
	30 Jul 2009	8.59	4,280,000	–	–	4,280,000
	12 Jan 2012	3.57	6,280,000	–	–	6,280,000
Mr. WANG Xiaoguang (Retired on 10 May 2013)	19 Sept 2008	2.55	500,000	(500,000)	–	–
	30 Jul 2009	8.59	800,000	–	–	800,000
	5 Oct 2009	7.11	910,000	–	–	910,000
	12 Jan 2012	3.57	2,855,000	–	–	2,855,000
Mr. CHEN Runfu	30 Jul 2009	8.59	1,710,000	–	–	1,710,000
	12 Jan 2012	3.57	2,610,000	–	–	2,610,000
Mr. WEN Haicheng	30 Jul 2009	8.59	500,000	–	–	500,000
	2 Sep 2009	7.01	500,000	–	–	500,000
	12 Jan 2012	3.57	1,200,000	(470,000)	–	730,000
Ms. LIU Hui	12 Jan 2012	3.57	400,000	–	–	400,000

DIRECTORS' REPORT

	Date of grant of share options	Exercise price per share (HKD)	No. of share options outstanding as at 1 January 2013	No. of share options exercised during the year (note i)	No. of share options lapsed during the year	No. of share options outstanding as at 31 December 2013
Directors (continued)						
Mr. YANG Zheng	12 Jan 2012	3.57	400,000	–	–	400,000
Mr. CHEUNG Vincent Sai Sing	12 Jan 2012	3.57	400,000	–	–	400,000
Mr. TSANG Hing Lun	24 Jan 2008	7.70	140,000	–	(140,000)	–
	30 Jul 2009	8.59	200,000	–	–	200,000
	12 Jan 2012	3.57	600,000	–	–	600,000
Mr. GU Yunchang	24 Jan 2008	7.70	200,000	–	(200,000)	–
	19 Sept 2008	2.55	100,000	(100,000)	–	–
	30 Jul 2009	8.59	200,000	–	–	200,000
	12 Jan 2012	3.57	600,000	–	–	600,000
Mr. HAN Xiaojing	24 Jan 2008	7.70	200,000	–	(200,000)	–
	19 Sept 2008	2.55	100,000	(100,000)	–	–
	30 Jul 2009	8.59	200,000	–	–	200,000
	12 Jan 2012	3.57	600,000	–	–	600,000
Mr. ZHAO Kang	24 Jan 2008	7.70	200,000	–	(200,000)	–
	19 Sept 2008	2.55	100,000	(100,000)	–	–
	30 Jul 2009	8.59	200,000	–	–	200,000
	12 Jan 2012	3.57	600,000	–	–	600,000
Subtotal			<u>30,585,000</u>	<u>(4,270,000)</u>	<u>(740,000)</u>	<u>25,575,000</u>
Employees						
	24 Jan 2008	7.70	5,890,000	–	(5,890,000)	–
	19 Sept 2008	2.55	8,817,500	(8,767,500)	(50,000)	–
	30 Jul 2009	8.59	14,200,000	–	(2,550,000)	11,650,000
	2 Sept 2009	7.01	15,810,000	–	(2,590,000)	13,220,000
	5 Oct 2009	7.11	22,740,000	–	(1,800,000)	20,940,000
	12 Jan 2012	3.57	<u>131,280,000</u>	<u>(23,342,000)</u>	<u>(10,876,000)</u>	<u>97,062,000</u>
Subtotal			<u>198,737,500</u>	<u>(32,109,500)</u>	<u>(23,756,000)</u>	<u>142,872,000</u>
Total			<u>229,322,500</u>	<u>(36,379,500)</u>	<u>(24,496,000)</u>	<u>168,447,000</u>

Notes:

(i) The weighted average price of the shares immediately before the dates on which the share options were exercised was HKD5.20.

(ii) There was no share option granted during the year under review.

DIRECTORS

The table below sets out certain information on the members of the Board during the year under review and up to the date of this report:

Name	Position
Mr. LI Ming	Executive Director and Chairman
Mr. WANG Xiaoguang	Executive Director (Retired on 10 May 2013)
Mr. CHEN Runfu	Executive Director
Mr. WEN Haicheng	Executive Director (Appointed on 10 May 2013)
Ms. LIU Hui	Non-executive Director
Mr. YANG Zheng	Non-executive Director
Mr. CHEUNG Vincent Sai Sing	Non-executive Director
Mr. TSANG Hing Lun	Independent non-executive Director
Mr. GU Yunchang	Independent non-executive Director
Mr. HAN Xiaojing	Independent non-executive Director
Mr. ZHAO Kang	Independent non-executive Director

In accordance with Article 110 of the Articles of Association of the Company, Mr. LI Ming, Mr. CHEUNG Vincent Sai Sing, Mr. HAN Xiaojing and Mr. ZHAO Kang shall retire by rotation and, being eligible, offer themselves for re-election pursuant to Article 112 of the Articles of Association, at the forthcoming AGM.

In accordance with Article 115 of the Articles of Association of the Company, Mr. WEN Haicheng, being appointed by the Board to fill vacancies, shall also retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Brief biographical details of the Directors and senior management are set out on pages 51 to 57.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without the payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save for the share options granted pursuant to the Share Option Scheme as set out above, at no time during the year under review, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long position in the shares and the underlying shares of equity derivatives of the Company

Name of Directors	Nature of interest	No. of ordinary shares held	No. of underlying shares comprised in share options (note i)	Restricted shares (note ii)	Total	Percentage in the Company's issued share capital
Mr. LI Ming	Founder of discretionary trust	127,951,178 (note iii)	–	–	127,951,178	1.757%
	Beneficiary of trust	2,087,645 (note iv)	–	–	2,087,645	0.029%
	Beneficial owner	3,000,000	10,560,000	2,738,965	16,298,965	0.224%
Mr. CHEN Runfu	Beneficial owner	494,964	4,320,000	474,136	5,289,100	0.073%
Mr. WEN Haicheng	Beneficial owner	160,184	1,730,000	904,531	2,794,715	0.038%
Ms. LIU Hui	Beneficial owner	55,500	400,000	64,500	520,000	0.007%
Mr. YANG Zheng	Beneficial owner	–	400,000	60,000	460,000	0.006%
Mr. CHEUNG Vincent Sai Sing	Beneficial owner	–	400,000	60,000	460,000	0.006%
Mr. TSANG Hing Lun	Beneficial owner	155,500	800,000	64,500	1,020,000	0.014%
Mr. GU Yunchang	Beneficial owner	155,500	800,000	64,500	1,020,000	0.014%
Mr. HAN Xiaojing	Beneficial owner	155,500	800,000	64,500	1,020,000	0.014%
Mr. ZHAO Kang	Beneficial owner	26,500	800,000	64,500	891,000	0.012%

Notes:

- (i) The share options were granted pursuant to the share option scheme of the Company, the details of which are set out as above in the paragraph headed "Share Option Scheme".
- (ii) The restricted shares were granted pursuant to the restricted share award scheme of the Company, the details of which are set out as above in the paragraph headed "Restricted Share Award Scheme".
- (iii) The 127,951,178 shares are held by a discretionary trust of which Mr. LI Ming is the founder.
- (iv) The 2,087,645 shares are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.

Long position in the shares and the underlying shares of equity derivatives of the associated corporation(s)

Name of Directors	Name of associated corporation	Nature of interest	No. of ordinary shares of associated corporation held	No. of underlying shares of associated corporation comprised in share options	Percentage of total issued share capital of associated corporation
Mr. LI Ming	Gemini Investments (Holdings) Limited	Beneficial owner	–	4,000,000 (note)	0.898%
Mr. WEN Haicheng	Gemini Investments (Holdings) Limited	Beneficial owner	70,000	–	0.016%

Note: Pursuant to the share option scheme of the associated corporation, the share options were granted on 9 August 2013 with an exercise price of HK\$0.96 per share and an exercise period from 9 August 2013 to 22 June 2021.

Save as disclosed above, as at 31 December 2013, none of the Directors nor the chief executives of the Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

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

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2013, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executives of the Company.

Name of shareholders	Capacity	Long/ short position	No. of ordinary shares held	Percentage in the Company's issued share capital
China Life Insurance (Group) Company (note i)	Interest of controlled corporation	Long	2,113,537,911	29.024%
CHEN Wai Wai Vivien ("Ms. Chen") (note ii)	Interest of controlled corporation	Long	1,601,327,956	21.990%
Executors of the estate of CHEN Din Hwa ("Executors") (note iii)	Interest of controlled corporation	Long	1,526,769,821	20.966%
HSBC Trustee (Guernsey) Limited (note iv)	Interest of controlled corporation	Long	456,056,783	6.263%

DIRECTORS' REPORT

Notes:

- (i) The 2,113,537,911 shares were registered in the name of, and beneficially owned by, China Life Insurance Company Limited. China Life Insurance (Group) Company was interested in 68.37% of China Life Insurance Company Limited. China Life Insurance (Group) Company was deemed to be interested in these shares by virtue of the SFO.
- (ii) Ms. Chen held a long position in 1,601,327,956 shares of the Company comprising:
 - (a) 1,526,769,821 shares held under the estate of Mr. Chen Din Hwa of which Ms. Chen is one of the Executors as detailed in note (iii) below; and
 - (b) 74,558,135 shares were beneficially owned by Gentfull Investment Limited. Gentfull Investment Limited was wholly-owned by Nan Fung Resources Limited. Nan Fung Resources Limited was wholly-owned by Crosby Investment Holdings Inc., which in turn was wholly-owned by Ms. Chen.
- (iii) The Executors held a long position in 1,526,769,821 shares of the Company comprising that 1,393,759,104 shares and 133,010,717 shares were beneficially owned by Spring Glory Investment Limited and Gavast Estates Limited respectively. Both Spring Glory Investment Limited and Gavast Estates Limited were wholly-owned by Keymark Associates Limited. Keymark Associates Limited was wholly-owned by Golden Anchor Holdings Limited. Golden Anchor Holdings Limited was wholly-owned by Nan Fung Group Holdings Limited. Nan Fung Group Holdings Limited was wholly-owned by Nan Fung International Holdings Limited. Nan Fung International Holdings Limited was wholly-owned by Chen's Group International Limited, which was in turn 100% held by the Executors of the estate of the late Mr. Chen Din Hwa. The Executors are comprised of Ms. Chen, Ms. Lee Pui Ling Angelina, Ms. Chow Suk Han Anna and Mr. Wong Wai Pat.
- (iv) The 368,378,907 shares and 87,677,876 shares were registered in the name of, and beneficially owned by Crystal Will Holdings Limited and Grand Wave Enterprises Limited respectively. Both of Crystal Will Holdings Limited and Grand Wave Enterprises Limited were wholly-owned by Wharf China Development Limited. Wharf China Development Limited was wholly-owned by Wharf China Holdings Limited. Wharf China Holdings Limited was wholly-owned by The Wharf (Holdings) Limited. WF Investment Partners Limited was interested in 43.01% of The Wharf (Holdings) Limited. WF Investment Partners Limited was wholly-owned by Wheelock Investments Limited. Wheelock Investments Limited was wholly-owned by Wheelock and Company Limited. HSBC Trustee (Guernsey) Limited was interested in 48.98% of Wheelock and Company Limited. HSBC Trustee (Guernsey) Limited was deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, as at 31 December 2013, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The Group's principal operation is property development. During the year under review, purchases from the Group's five largest suppliers (excluding land supply) accounted for less than 30% of the total purchases for the year.

The Group's major products are principally commodity housings, and its major customers bases are general individual home buyers, involving a relatively large number of customers. During the year under review, sales to the Group's five largest customers accounted for less than 30% of the turnover for the year.

As far as the Directors are aware, neither the Directors, their associates, nor the substantial shareholders had any interest in the five largest customers and suppliers of the Group.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions are required to be disclosed in the annual report of the Company. Details of the related party transactions of the Group are set out in note 51 to the consolidated financial statements. Save as disclosed herein, there were no related party transactions of the Group under Chapter 14A of the Listing Rules where are required to comply with any of the disclosure and independent shareholders' approval requirement in accordance with Chapter 14A of the Listing Rules.

Subscription of New Shares by Connected Persons under Specific Mandate

On 27 September 2013, the Company entered into the subscription agreements with each of China Life and Spring Glory Investment Limited ("Spring Glory") (a member of the Nan Fung Group), pursuant to which China Life and Spring Glory conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 635,941,967 shares and 686,611,211 shares, respectively, at the subscription price of HK\$4.74 per share. The subscription shares are subject to a lock-up period of two years commencing from the completion date.

As at 27 September 2013, China Life held 24.71% of the issued share capital of the Company and is a substantial shareholder of the Company and therefore a connected person of the Company. As at 27 September 2013, Nan Fung Group held 14.05% of the issued share capital of the Company and is a substantial shareholder of the Company and therefore, Spring Glory, being a member of the Nan Fung Group, is a connected person of the Company. Accordingly, each of the subscription agreements constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The relevant announcement and circular have been published on 27 September 2013 and 28 October 2013, respectively; and the relevant resolutions were passed and approved by the independent shareholders of the Company at an extraordinary general meeting on 19 November 2013.

Acquisition of Remaining Interests in Two Projects

On 27 September 2013, Fame Gain Holdings Limited ("Fame Gain"), an indirect wholly-owned subsidiary of the Company and Nan Fung Investment China Holdings Limited ("Nan Fung China") (a member of the Nan Fung Group) entered into the master acquisition agreement, pursuant to which Nan Fung China agreed to sell or procure the sale of, and Fame Gain agreed to purchase or procure the purchase of, 20% interest of the CBD Project (a commercial property development project located on the land with a site area of approximately 11,000 square metres located at Plot Z6, Guanghua Road, Chaoyang District, Beijing, the PRC, of which, the Company effectively owned 80% and the Nan Fung Group effectively owned 20%) and an approximately 10% interest in the Dalian Project (a residential and retail complex development project located on the land with a site area of approximately 749,000 square metres located at Plot A, B, C and E, Ocean Diamond Bay, East of Gongxing Street and Dongbei Road, South of Dongfang Road, Ganjingzi District, Dalian, Liaoning Province, the PRC of which, the Group effectively owned approximately 90% and the Nan Fung Group effectively owned approximately 10%).

Nan Fung China, being a member of the Nan Fung Group, is a connected person of the Company. As one or more of the applicable percentage ratios of the acquisition is more than 5% but are all less than 25%, the acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The relevant announcement and circular have been published on 27 September 2013 and 28 October 2013, respectively; and the relevant resolution was passed and approved by the independent shareholders of the Company at an extraordinary general meeting on 19 November 2013.

DIRECTORS' REPORT

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Up to date of this report, the Company entered into the following facility agreements (the "Facility Agreements"):

Date	Description	Principal Amount (Approximately)
15 June 2012	a 3-year term loan facilities in different currencies	USD600 million
12 July 2013	a 5-year term loan facilities in different currencies	USD410 million

Under the Facility Agreements, it would constitute an event of default if (i) China Life Insurance Company Limited and Nan Fung International Holdings Limited are together no longer the largest shareholder of the Company or no longer maintain (directly or indirectly) beneficially not less than 30% of the issued share capital of the Company; or (ii) neither China Life Insurance Company Limited nor Nan Fung International Holdings Limited is the single largest shareholder of the Company. On and at any time after the occurrence of an event of default, the lenders may (i) cancel the facility available under the Facility Agreements with immediate effect; (ii) declare that all or part of the loan outstanding together with accrued interest and all other amounts accrued or outstanding be immediately due and payable; (iii) declare that all or part of the loans be payable on demand; and/or (iv) instruct the security agent to enforce all or any of the security documents and/or to preserve the security constituted by any security document and/or to exercise any right, power and remedy available to the security agent under any security document.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 69 to 75.

AUDITORS

The consolidated financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for reappointment, at the forthcoming AGM.

By order of the Board

LI Ming
Chairman

Hong Kong, 13 March 2014

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2013.

COMMITMENT TO CORPORATE GOVERNANCE

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The management of the Group also actively observes the latest corporate governance developments in Hong Kong and overseas.

Corporate governance practices

In the opinion of the Board, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year under review, except for the deviation as disclosed in this report.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by the directors (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Code of Conduct during the year under review.

THE BOARD

Responsibilities

The Board, led by the Chairman, is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report

back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. During the year under review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the interim results for the six months ended 30 June 2013 and the final results for the year ended 31 December 2013, approved the Group's major acquisitions and other critical business operations, assessed the internal control and the financial matters of the Group.

The Board is collectively responsible for performing corporate governance duties including:

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the Code of Conduct applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

Board composition

As at 31 December 2013, the Board comprised ten Directors, including three executive Directors, Mr. LI Ming, Mr. CHEN Runfu and Mr. WEN Haicheng; three non-executive Directors, Ms. LIU Hui, Mr. YANG Zheng and Mr. CHEUNG Vincent Sai Sing; and four independent non-executive directors ("INEDs"), Mr. TSANG Hing Lun, Mr. GU Yunchang, Mr. HAN Xiaojing and Mr. ZHAO Kang.

CORPORATE GOVERNANCE REPORT

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed “Biographies of Directors and Senior Management” for the profiles of the Directors.

Save as disclosed in the section headed “Biographies of Directors and Senior Management”, the Directors have no other financial, business, family or other material/relevant relationships with one another.

(i) Chairman and Chief Executive Officer

The roles of the chairman (the “Chairman”) and the chief executive officer (the “Chief Executive Officer”) of the Company are served by Mr. LI Ming and have not been segregated as required under code A.2.1 of the CG Code, however, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board and the senior management of the Company. There are four INEDs and three non-executive Directors on the Board. The Board considers that there is sufficient balance of power and that the current arrangement maintains a strong management position and also facilitates the ordinary business activities of the Company. The Board will review the current structure from time to time and make any necessary arrangements as appropriate.

(ii) Non-executive Directors and Independent Non-executive Directors

During the year under review, the Board had four INEDs, being more than one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of the four INEDs in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent

parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgements.

Ms. LIU Hui and Mr. YANG Zheng, non-executive Directors, have agreed not to receive the director’s fees of HK\$300,000 each during the year under review.

Appointment, re-election and removal of Directors

Pursuant to the letters of appointment, all non-executive directors and INEDs are appointed for a term of around one year ending on 15 May 2014 subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the “Articles”).

Pursuant to the Articles, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company, and shall be eligible for re-election. Every Director, including non-executive Directors, is subject to retirement by rotation at least once every three years. One-third of the Directors must retire from office at each annual general meeting and their re-election is subject to the approval of shareholders.

In compliance with the provisions of the Articles, Mr. LI Ming, Mr. CHEUNG Vincent Sai Sing, Mr. HAN Xiaojing and Mr. ZHAO Kang shall retire by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Mr. WANG Xiaoguang retired on 10 May 2013 and Mr. WEN Haicheng was appointed by the Board to fill the relevant vacancies on 10 May 2013. Pursuant to Article 115 of the Articles of Association of the Company, Mr. WEN Haicheng shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Meetings

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. During the year under review, the Board convened four meetings to approve interim and final results announcement, financial reports, to recommend or declare dividends and to discuss the overall strategy and monitor financial and operation performance of the Company.

The attendance of each individual director at the board meetings, annual general meeting and extraordinary general meeting during the year under review is set out in the following table:

	Number of meeting attended/held		
	Board Meeting	Annual General Meeting	Extraordinary General Meeting
Directors			
Mr. LI Ming	4/4	1/1	1/1
Mr. CHEN Runfu	4/4	0/1	0/1
Mr. WANG Xiaoguang (Retired on 10 May 2013)	1/4	0/1	–
Mr. WEN Haicheng (Appointed on 10 May 2013)	3/4	0/1	0/1
Ms. LIU Hui	4/4	1/1	1/1
Mr. YANG Zheng	4/4	0/1	0/1
Mr. CHEUNG Vincent Sai Sing	4/4	1/1	1/1
Mr. TSANG Hing Lun	4/4	1/1	1/1
Mr. GU Yunchang	4/4	0/1	0/1
Mr. HAN Xiaojing	4/4	0/1	0/1
Mr. ZHAO Kang	4/4	0/1	0/1

Notices of regular Board meetings were given to all Directors at least 14 days before the meetings. For board committee meetings, reasonable notice is generally given.

The agenda accompanying board papers are given to all Directors in a timely manner. All Directors are properly briefed on issues arising at any Board meetings by the Chairman.

All Directors have full and timely access to all relevant information as well as advice and services of the company secretary of the Company (the “Company Secretary”). Upon making request to the Board, all Directors may obtain independent professional advice at the Company’s expense for carrying out their functions.

Where a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would only be dealt with by a Board meeting and only independent Directors who, and whose associates, have no material interest in the transaction would be present at such Board meeting.

Training for Directors

For any newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations as a director under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors, whenever necessary, in order to ensure that they have a proper understanding of the Company’s operations and business. To assist their continuous professional development, the Company Secretary recommends relevant seminars and courses for the Directors to attend.

All Directors also understand the importance of continuous professional development. They are committed to participating in suitable training to develop and refresh their knowledge and skills. A record of the training received by the respective directors are kept and updated by the Company Secretary of the Company.

CORPORATE GOVERNANCE REPORT

During the year under review, the Directors participated in the following trainings:

Directors	Type of trainings
Mr. LI Ming	A/B/C
Mr. CHEN Runfu	C
Mr. WEN Haicheng	A/C
Ms. LIU Hui	A
Mr. YANG Zheng	A/C
Mr. CHEUNG Vincent Sai Sing	A/C
Mr. TSANG Hing Lun	A/B
Mr. GU Yunchang	A/B/C
Mr. HAN Xiaojing	C
Mr. ZHAO Kang	C

A: attending seminars and/or conference and/or forums

B: giving talk at seminar(s) or forum(s)

C: reading newspapers, professional journals and updates relating to the economy, general business, real estate or director's duties and responsibilities etc.

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. During the year under review, no claim had been made against the Directors and the officers of the Company.

BOARD COMMITTEES

The Board has set up four board committees, namely, the audit committee, the remuneration committee, the nomination committee and the investment committee (collectively the "Board Committees"), for overseeing particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The attendance of each individual committee member at the Board Committee meetings during the year under review is set out in the following table:

	Number of meeting attend/held			
	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Investment Committee Meeting
Directors				
Mr. LI Ming	–	–	1/1	1/1
Ms. LIU Hui	–	–	1/1	–
Mr. YANG Zheng	2/2	–	–	–
Mr. CHEUNG Vincent Sai Sing	–	–	–	1/1
Mr. TSANG Hing Lun	2/2	–	–	1/1
Mr. GU Yunchang	2/2	2/2	1/1	1/1
Mr. HAN Xiaojing	2/2	2/2	1/1	–
Mr. ZHAO Kang	–	2/2	1/1	–

Audit Committee

The Audit Committee consists of three INEDs and a non-executive director of the Company, namely Mr. TSANG Hing Lun, Mr. GU Yunchang, Mr. HAN Xiaojing and Mr. YANG Zheng. Mr. TSANG Hing Lun, who has professional qualifications in accountancy, is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company.

The main duties of the Audit Committee are to audit and supervise the financial reporting process of the Group. The Audit Committee is also responsible for considering the appointment and remuneration of the auditors and any matters related to the removal and resignation of the auditors. Their written terms of reference are available on the websites of the Company and the Stock Exchange.

The Audit Committee held two meetings during the year under review. Executive directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The tasks, among others, performed by the Audit Committee during the year under review included:

- (i) review of the interim and annual consolidated financial statements;
- (ii) discussion with the external auditors on the issues of, including but not limited to financing structure, land appreciation tax, progress of various projects, joint venture operation, and implementation of new tax rule in the PRC;
- (iii) review of the cash flow projection for 2013 and monitor of the overall financial position of the Group;
- (iv) review of the adequacy and effectiveness of the internal control system and recommendation to the Board for improvement of internal control, credit control and risk management;
- (v) review of the application of the relevant General Accepted Accounting Principles and recommendation to the Board for the adoption of accounting policies;
- (vi) review of the adequacy of the provision for material liabilities and impairment of assets; and
- (vii) meeting with the external auditor in the absence of executive directors and senior management to discuss issues regarding audit.

The remuneration of Directors is determined with reference to their experience, qualifications, responsibilities involved in the Company and the prevailing market conditions. Details of emoluments of Directors for the year under review are set out in note 41(a) to the consolidated financial statements. The emoluments paid to senior management during the year under review were within the following bands:

	Number of Senior Management
Nil to HKD4,000,000	–
HKD4,000,001 to HKD5,000,000	1
HKD5,000,001 to HKD6,000,000	1
HKD6,000,001 to HKD7,000,000	3
HKD7,000,001 to HKD8,000,000	1
Over HKD8,000,000	–

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) comprises three members, all being INEDs, namely Mr. HAN Xiaojing (the chairman of the committee), Mr. GU Yunchang and Mr. ZHAO Kang.

The main duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of the remuneration policies and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company’s objectives as approved from time to time by the Board. Their written terms of reference are available on the websites of the Company and the Stock Exchange.

The tasks, among others, performed by the Remuneration Committee during the year under review included:

- (i) review and approval of the report of the labour cost for the year ended 31 December 2012 and the budget of the labour cost for the year ended 31 December 2013;
- (ii) review and approval of the report of remuneration packages for senior management for the year ended 31 December 2013;
- (iii) review and approval the recommendation of grant of restricted shares under the Award Scheme; and
- (iv) recommendation to the Board on the remuneration of non-executive directors.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The nomination committee of the Company (the “Nomination Committee”) comprises five members, being an executive director, Mr. LI Ming, a non-executive director, Ms. LIU Hui, and three INEDs, namely Mr. HAN Xiaojing, Mr. GU Yunchang and Mr. ZHAO Kang. Mr. LI Ming is the chairman of the committee.

The main duties of the Nomination Committee are to nominate candidates for directorship, consider nominations for directorship and make recommendations to the Board in respect of such appointments. If necessary, the Nomination Committee will also convene meetings and submit reports to the Board. Their written terms of reference are available on the websites of the Company and the Stock Exchange.

The tasks, among others, performed by the Nomination Committee during the year under review included:

- (i) review and recommendation of the rotation of directors pursuant to the Articles;
- (ii) review and approval of appointment of senior management; and
- (iii) review of human resource management and staff development system.

Summary of board diversity policy under Nomination Committee

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the board diversity policy (the “Board Diversity Policy”) aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The Nomination Committee will report annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. It will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Investment Committee

The investment committee of the Company (the “Investment Committee”) comprises four members, being an executive director, Mr. LI Ming, a non-executive director, Mr. CHEUNG Vincent Sai Sing, and two INEDs, Mr. TSANG Hing Lun and Mr. GU Yunchang. Mr. LI Ming is the chairman of the committee. It will meet at the request of any member of the committee and the head of finance department will also participate in discussions. The Investment Committee is authorized, at the expense of the Group, to seek advice from external professionals or to arrange them to attend the meetings.

The main duties of the Investment Committee are to review the Group's investment strategy and to examine and make decision on the prospective major investments. Their written terms of reference are available on the websites of the Company and the Stock Exchange.

Company Secretary

The Company Secretary is responsible for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters.

Moreover, the Company Secretary is responsible for keeping all Directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

During the year under review, the Company Secretary has taken not less than 15 hours of relevant professional training.

Accountability and Audit

The Directors of the Company acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other price sensitive announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2013 is set out in the Independent Auditor's Report on page 77.

INTERNAL CONTROL

The internal controls of the Group are designed to help the Group in protecting its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies comprising, among others, the relevant financial, operational and compliance controls and risk management functions. The Board requires the management to maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by risk management department. They will reports to Audit Committee twice each year, among others, in any significant findings and effectiveness of the internal controls. Copy of the minutes of the Audit Committee meeting is presented to the Board meeting for consideration. Furthermore, the Board, at least annually, reviews the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to perform a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2013.

For the year ended 31 December 2013, remunerations payable to PwC for the provision of statutory audit services and non-auditing services amounted to RMB11 million and RMB2.8 million respectively. The non-auditing services mainly represent review of interim financial information.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on every substantial matters, including the election of individual directors, for shareholders' consideration and voting. Furthermore, the Company regards

the annual general meeting or extraordinary general meeting as an important event and Directors, chairman of each board committee, senior management and external auditors make an effort to attend the annual general meeting or extraordinary general meeting of the Company to address the shareholders' queries. All resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinoceanland.com) on the same day of the relevant general meetings.

Shareholder(s) representing at least 5% of the total voting rights of all shareholders of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 566 of the new Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong, "Company Ordinance"). The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Beside, section 580 and section 615 of the Companies Ordinance provides that (i) shareholder(s) of the company representing at least 2.5% of the total voting rights of all the shareholders of the Company who have a relevant right vote; or (ii) at least 50 shareholders who have a relevant right to vote can put forward proposals for consideration at a general meeting by sending requests in writing to the Company.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong for the attention of the Company Secretary.

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster two-way communication amongst the Company, its shareholders and potential investors, the Company has also established an Investor Relations Department to respond to enquiries from shareholders and the public. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the shareholders and the public. Further information about investor relations are set out in the section headed "Investor Relations".

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum and Articles Association during the year under review.

A confirmed copy of the Memorandum and Articles Association are posted on the websites of the Company and the Stock Exchange.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LI Ming (*Chairman*)
Mr. CHEN Runfu
Mr. WEN Haicheng

Non-executive Directors

Ms. LIU Hui
Mr. YANG Zheng
Mr. CHEUNG Vincent Sai Sing

Independent Non-executive Directors

Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

AUDIT COMMITTEE

Mr. TSANG Hing Lun
Mr. YANG Zheng
Mr. GU Yunchang
Mr. HAN Xiaojing

NOMINATION COMMITTEE

Mr. LI Ming
Ms. LIU Hui
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

REMUNERATION COMMITTEE

Mr. HAN Xiaojing
Mr. GU Yunchang
Mr. ZHAO Kang

INVESTMENT COMMITTEE

Mr. LI Ming
Mr. CHEUNG Vincent Sai Sing
Mr. TSANG Hing Lun
Mr. GU Yunchang

COMPANY SECRETARY

Mr. SUM Pui Ying, Adrian

AUTHORIZED REPRESENTATIVES

Mr. LI Ming
Mr. SUM Pui Ying, Adrian

REGISTERED OFFICE

Suite 601, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL PLACE OF BUSINESS

31–33 Floor, Tower A
Ocean International Center
56 Dongsihuanzhonglu
Chaoyang District Beijing
PRC

PRINCIPAL BANKERS *(in alphabetical order)*

Agricultural Bank of China Limited
Bank of Beijing Co., Ltd.
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Everbright Bank Company Limited
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China, Limited.
Industrial Bank Co., Ltd.
Ping An Bank Co., Ltd.
Postal Savings Bank of China Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Bank of East Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISOR

Paul Hastings

SHARE REGISTRAR

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

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 03377

COMPANY WEBSITE

www.sinooceanland.com

INVESTOR RELATIONS CONTACT

ir@sinooceanland.com

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sino-Ocean Land Holdings Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company ") and its subsidiaries (together, the "Group") set out on pages 78 to 181 which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 March 2014

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2013	2012
Note		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	203,827	212,817
Land use rights	8	8,985	9,231
Investment properties	9	10,302,496	7,202,254
Goodwill	10	239,523	457,286
Investments in joint ventures	12	1,682,273	1,477,657
Investments in associates	13	629,572	665,011
Available-for-sale financial assets	16	745,847	838,163
Trade and other receivables	22	15,606	475,129
Deferred income tax assets	34	1,940,419	2,393,892
		15,768,548	13,731,440
Current assets			
Prepayments for land use rights	21	10,685,916	5,083,619
Properties under development	19	69,903,227	71,974,209
Inventories, at cost		99,037	78,787
Amounts due from customers for contract work	24	996,539	832,163
Land development cost recoverable	20	1,713,850	1,638,503
Completed properties held for sale	23	12,079,650	9,091,870
Available-for-sale financial assets	16	405,400	155,400
Other investments	17	19,676	63,091
Financial assets at fair value through profit or loss	18	191,413	189,076
Trade and other receivables	22	9,955,459	9,319,742
Restricted bank deposits	25	4,797,032	5,399,197
Cash and cash equivalents	26	11,252,893	10,747,479
		122,100,092	114,573,136
Total assets		137,868,640	128,304,576
EQUITY			
Equity attributable to owners of the company			
Share capital and premium	27	26,079,244	20,735,481
Shares held for Restricted Share Award Scheme	27	(79,008)	(92,435)
Reserves	29	166,032	335,260
Retained earnings	28		
— Proposed final dividend	45	920,391	806,942
— Others		10,438,201	7,973,044
		37,524,860	29,758,292
Convertible securities	31	—	5,969,279
Capital securities	32	2,532,866	2,532,866
		40,057,726	38,260,437
Non-controlling interests		3,387,319	3,785,801
Total equity		43,445,045	42,046,238

	Note	As at 31 December	
		2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	33	22,455,625	20,873,439
Deferred income tax liabilities	34	1,853,313	1,698,080
		<u>24,308,938</u>	<u>22,571,519</u>
Current liabilities			
Borrowings	33	12,839,209	11,519,608
Trade and other payables	35	17,987,221	16,190,564
Advance receipts from customers	36	34,603,586	30,681,259
Income tax payable		4,684,641	5,276,267
Derivative financial instrument	37	—	19,121
		<u>70,114,657</u>	<u>63,686,819</u>
Total liabilities		<u>94,423,595</u>	<u>86,258,338</u>
Total equity and liabilities		<u>137,868,640</u>	<u>128,304,576</u>
Net current assets		<u>51,985,435</u>	<u>50,886,317</u>
Total assets less current liabilities		<u>67,753,983</u>	<u>64,617,757</u>

Approved by the Board of Directors on 13 March 2014

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 86 to 181 are an integral part of these consolidated financial statements.

BALANCE SHEET

	Note	As at 31 December	
		2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	11	3,444,839	3,495,434
Current assets			
Amounts due from subsidiaries	11	33,523,987	30,950,509
Other receivables		2,060	2,060
Cash and cash equivalents	26	417,732	433,817
		33,943,779	31,386,386
Total assets		37,388,618	34,881,820
EQUITY			
Share capital and premium		26,079,238	20,735,976
Reserves	29	445,832	446,360
Retained earnings	28		
— proposed final dividend	45	920,391	806,942
— others		385,481	428,964
Total equity		27,830,942	22,418,242
LIABILITIES			
Non-current liabilities			
Borrowings	33	4,789,797	3,575,128
Current liabilities			
Borrowings	33	2,204,609	362,971
Amounts due to subsidiaries	11	2,532,866	8,502,143
Other payables	35	30,404	23,336
		4,767,879	8,888,450
Total liabilities		9,557,676	12,463,578
Total equity and liabilities		37,388,618	34,881,820
Net current assets		29,175,900	22,497,936
Total assets less current liabilities		32,620,739	25,993,370

Approved by the Board of Directors on 13 March 2014

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 86 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2013 RMB'000	2012 RMB'000
Revenue	6	31,099,385	28,657,796
Cost of sales		(23,552,300)	(20,958,600)
Gross profit		7,547,085	7,699,196
Interest and other income	38	376,164	208,788
Other gains/(losses) — net	39	102,458	(125,957)
Fair value gains on investment properties	9	807,950	1,535,304
Selling and marketing expenses		(785,214)	(962,992)
Administrative expenses		(675,021)	(853,443)
Operating profit		7,373,422	7,500,896
Finance costs	42	(363,604)	(625,363)
Share of profits of joint ventures		347,390	362,060
Share of losses of associates		(16,311)	(2,677)
Profit before income tax		7,340,897	7,234,916
Income tax expense	43	(2,679,781)	(3,247,607)
Profit for the year		4,661,116	3,987,309
Attributable to:			
Owners of the company		4,074,741	3,796,032
Non-controlling interests		586,375	191,277
		4,661,116	3,987,309
Earnings per share attributable to owners of the company during the year (expressed in RMB)			
Basic earnings per share	44	0.592	0.542
Diluted earnings per share	44	0.589	0.541

The notes on pages 86 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
Profit for the year		4,661,116	3,987,309
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value (losses)/gains on available-for-sale financial assets	29	(2,309)	22,610
Fair value gains upon disposal of available-for-sale financial assets	29	20,946	—
Currency translation differences	29	27,674	(13,633)
Other comprehensive income for the year		46,311	8,977
Total comprehensive income for the year		4,707,427	3,996,286
Total comprehensive income attributable to:			
— Owners of the company		4,121,052	3,805,009
— Non-controlling interests		586,375	191,277
		4,707,427	3,996,286

The notes on pages 86 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the company								Non-controlling interests	Total equity
		Share capital	Share premium	Shares held for Restricted Share Award Scheme	Other reserves	Retained earnings	Total	Convertible securities	Capital securities	Total	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013		4,428,676	16,306,805	(92,435)	335,260	8,779,986	29,758,292	5,969,279	2,532,866	38,260,437	42,046,238
Profit for the year		-	-	-	-	4,074,741	4,074,741	-	-	4,074,741	4,661,116
Fair value losses on available-for-sale financial assets		-	-	-	(2,309)	-	(2,309)	-	-	(2,309)	(2,309)
Fair value gains upon disposal of available-for-sale financial assets		-	-	-	20,946	-	20,946	-	-	20,946	20,946
Currency translation differences		-	-	-	27,674	-	27,674	-	-	27,674	27,674
Total comprehensive income		-	-	-	46,311	4,074,741	4,121,052	-	-	4,121,052	4,707,427
Transactions with owners of the company											
Issue of share	27	838,636	4,121,210	-	-	-	4,959,846	-	-	4,959,846	4,959,846
Dividends relating to 2012		2,897	15,640	-	-	(794,200)	(775,663)	-	-	(775,663)	(775,663)
Dividends relating to 2013	45	44,542	192,143	-	-	(325,725)	(89,040)	-	-	(89,040)	(173,642)
Expenses on share-based payment	29	-	-	-	93,039	-	93,039	-	-	93,039	93,039
Transfer from retained earnings	29	-	-	-	128,243	(128,243)	-	-	-	-	-
Issue of shares pursuant to exercise of employee share options	27	23,330	106,074	-	(35,535)	-	93,869	-	-	93,869	93,869
Vesting of shares under Restricted Share Award Scheme	27	-	501	17,100	(17,601)	-	-	-	-	-	-
Share buyback		(1,210)	-	-	1,210	(6,834)	(6,834)	-	-	(6,834)	(6,834)
Purchase of shares for Restricted Share Award Scheme		-	-	(3,673)	-	-	(3,673)	-	-	(3,673)	(3,673)
Distribution relating to convertible securities	28	-	-	-	-	(257,531)	(257,531)	-	-	(257,531)	(257,531)
Distribution relating to capital securities	28	-	-	-	-	(254,349)	(254,349)	-	-	(254,349)	(254,349)
Repurchase of convertible securities	28	-	-	-	-	270,747	270,747	(5,969,279)	-	(5,698,532)	(5,698,532)
Contribution from non-controlling interests		-	-	-	-	-	-	-	-	46,644	46,644
Total contributions by and distributions to owners of the company		908,195	4,435,568	13,427	169,356	(1,496,135)	4,030,411	(5,969,279)	-	(1,938,868)	(1,976,826)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries	49	-	-	-	(384,895)	-	(384,895)	-	-	(384,895)	(1,331,794)
Total transactions with owners of the company		908,195	4,435,568	13,427	(215,539)	(1,496,135)	3,645,516	(5,969,279)	-	(2,323,763)	(3,308,620)
Balance at 31 December 2013		5,336,871	20,742,373	(79,008)	166,032	11,358,592	37,524,860	-	2,532,866	40,057,726	43,445,045

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the company									Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Convertible securities RMB'000	Capital securities RMB'000	Total RMB'000		
Balance at 1 January 2012		4,304,667	15,926,417	(131,959)	169,548	6,497,606	26,766,279	5,969,279	2,532,866	35,268,424	3,488,740	38,757,164
Profit for the year		–	–	–	–	3,796,032	3,796,032	–	–	3,796,032	191,277	3,987,309
Fair value gains on available-for-sale financial assets		–	–	–	22,610	–	22,610	–	–	22,610	–	22,610
Currency translation differences		–	–	–	(13,633)	–	(13,633)	–	–	(13,633)	–	(13,633)
Total comprehensive income		–	–	–	8,977	3,796,032	3,805,009	–	–	3,805,009	191,277	3,996,286
Transactions with owners of the company												
Dividends relating to 2011		70,998	202,078	–	–	(461,745)	(188,669)	–	–	(188,669)	(28,500)	(217,169)
Dividends relating to 2012		44,664	150,519	–	–	(283,391)	(88,208)	–	–	(88,208)	–	(88,208)
Expenses on share-based payment	29	–	–	–	119,240	–	119,240	–	–	119,240	–	119,240
Transfer from retained earnings	29	–	–	–	61,339	(61,339)	–	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	8,347	28,286	–	(10,027)	–	26,606	–	–	26,606	–	26,606
Vesting of shares under Restricted Share Award Scheme	27	–	(495)	39,524	(39,029)	–	–	–	–	–	–	–
Distribution relating to convertible securities	28	–	–	–	–	(448,809)	(448,809)	–	–	(448,809)	–	(448,809)
Distribution relating to capital securities	28	–	–	–	–	(258,368)	(258,368)	–	–	(258,368)	–	(258,368)
Contributions from non-controlling interests		–	–	–	104,110	–	104,110	–	–	104,110	478,653	582,763
Total contributions by and distributions to owners of the company		124,009	380,388	39,524	235,633	(1,513,652)	(734,098)	–	–	(734,098)	450,153	(283,945)
Increase in non-controlling interests as a result of disposal of interests without change of control		–	–	–	1,174	–	1,174	–	–	1,174	1,826	3,000
Increase in non-controlling interest as a result of acquisition of additional interests in a subsidiary		–	–	–	(536)	–	(536)	–	–	(536)	536	–
Increase in non-controlling interests as a result of other acquisitions		–	–	–	–	–	–	–	–	–	26,360	26,360
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary		–	–	–	(79,536)	–	(79,536)	–	–	(79,536)	(266,844)	(346,380)
Decrease in non-controlling interests as a result of disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(106,247)	(106,247)
Total transactions with owners of the company		124,009	380,388	39,524	156,735	(1,513,652)	(812,996)	–	–	(812,996)	105,784	(707,212)
Balance at 31 December 2012		4,428,676	16,306,805	(92,435)	335,260	8,779,986	29,758,292	5,969,279	2,532,866	38,260,437	3,785,801	42,046,238

The notes on pages 86 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 31 December	
	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	46	6,601,196	9,270,904
Interest paid		(2,446,511)	(2,789,038)
Income tax paid		(2,657,397)	(2,063,493)
Net cash generated from operating activities		1,497,288	4,418,373
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(29,445)	(33,578)
Proceeds from sale of property, plant and equipment	46	7,173	10,588
Purchases of investment properties	9	(52,137)	(204,575)
Purchases of available-for-sale financial assets		(963,373)	(570,786)
Proceeds from disposal of available-for-sale financial assets		798,567	–
Dividends received from available-for-sale financial assets	38	11,960	16,253
Proceeds from notes receivable	40	157,500	90,000
Acquisition of additional interest in a subsidiary		–	(346,380)
Proceeds from disposal of subsidiaries, net of cash disposed	50	138,311	141,716
Proceeds from disposal of interest in subsidiaries without change of control		–	3,000
Capital injection to joint ventures	12	(22,040)	(119,539)
Capital return from a joint venture	12	155,647	49,802
Proceeds of disposal from a joint venture		10,473	–
Capital injection to associates	13	(4,000)	(200,600)
Proceeds from disposal of partial interest in an associate to a subsidiary of a shareholder	51(b)	–	141,000
Proceeds of disposal of interest in an associate		3,600	–
Entrusted loans advanced		(426,434)	–
Proceeds from entrusted loans		–	292,465
Interest received		43,893	53,953
Net cash used in investing activities		(170,305)	(676,681)
Cash flows from financing activities			
Proceeds from borrowings		24,262,399	19,071,605
Repayments of borrowings		(21,434,037)	(20,304,257)
Consideration paid for transactions with non-controlling interests	49(a)	(1,331,794)	–
Capital injection from non-controlling interests		46,644	582,763
Dividends paid to non-controlling interests		(84,602)	(28,500)
Dividends paid to shareholders of the Company		(864,703)	(276,877)
Issue of shares	27	4,959,846	–
Redemption of convertible securities	31	(5,698,532)	–
Distribution relating to convertible securities		(447,240)	(454,232)
Distribution relating to capital securities		(254,349)	(258,368)
Purchase of shares for Restricted Share Award Scheme	27	(3,673)	–
Share buybacks	28	(6,834)	–
Issue of shares pursuant to exercise of employee share options		93,869	26,606
Net cash used in financing activities		(763,006)	(1,641,260)
Increase in cash and cash equivalents		563,977	2,100,432
Cash and cash equivalents at beginning of the year	26	10,747,479	8,647,794
Exchange losses on cash and cash equivalents		(58,563)	(747)
Cash and cash equivalents at end of the year	26	11,252,893	10,747,479

The notes on pages 86 to 181 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Sino-Ocean Land Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the “Group”) are principally engaged in investment holding, property development and property investment in the People’s Republic of China (the “PRC”).

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2014.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, other investments and derivative financial instruments, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and which have no material impact on the Group:

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Changes in accounting policy and disclosures *(Continued)*

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

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

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

(b) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

HKFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9’s full impact and consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3.2 Subsidiaries

3.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.1 Consolidation *(Continued)*

(a) **Business combinations** *(Continued)*

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement (Note 3.9).

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(c) **Disposal of subsidiaries**

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.2 Separate financial statements

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

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

3.3 Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

3.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Associates *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to “share of profit of investments accounted for using equity method” in the consolidated income statement.

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

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

3.5 Segment reporting

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

3.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within “finance income or cost”. All other foreign exchange gains and losses are presented in the income statement within “other gains/(losses) — net”.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

3.7 Properties

(a) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "Fair value gains on investment properties".

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Properties *(Continued)*

(a) Investment properties *(Continued)*

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

(b) Land use rights

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs and are accounted for under Note 3.15.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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

Buildings and leasehold improvements	5–50 years
Machinery	8 years
Vehicles	8 years
Office equipment	5 years
Electronic equipment	3 years

Leasehold improvements' estimated useful life is shorter of remaining lease term of or useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other gains/(losses) — net", in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

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

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

3.10 Impairment of non-financial assets

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

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets into financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted bank deposit" and "cash and cash equivalents" in the balance sheet (Note 3.16 and 3.17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

3.11.1 Classification *(Continued)*

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

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

3.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “other gains/(losses) — net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group’s right to receive payments is established.

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as part of “other gains/(losses) — net”.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

3.12 Impairment of financial assets

(a) **Assets carried at amortized cost**

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Impairment of financial assets *(Continued)*

(a) Assets carried at amortized cost *(Continued)*

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

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

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial asset, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

3.13 Derivative financial instruments

Derivative financial instruments of the Group represent call options granted to the counterparty. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

3.14 Land development cost recoverable

These costs refer to costs capitalized on primary land development projects, in preparation for such land to undergo the process of open market bidding. Primary land development works include demolitions and relocations, ground levelings, as well as the establishment of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works. Costs recoverable are recognized at cost, less provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

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

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.16 Trade and other receivables

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

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.17 Cash and cash equivalents

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

3.18 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.19 Convertible and Capital securities

Convertible and Capital securities with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Trade payables

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

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

3.21 Borrowings and borrowing costs

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

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.22 Current and deferred income tax

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

3.22.1 Current income tax

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

3.22.2 Deferred income tax

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Current and deferred income tax *(Continued)*

3.22.2 Deferred income tax *(Continued)*

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

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

3.22.3 Offsetting

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

3.23 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

(c) Retirement benefits

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

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

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,250. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, including “share option scheme” and Restricted Share Award Scheme, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the Group.

- **Share option scheme**

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

- **Restricted Shares Award Scheme**

The fair value of the employee services received in exchange for the grant of these share-based awards is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares awarded at the grant date.

When Trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as “Shares held for Restricted Share Award Scheme” in the consolidated statement of changes in equity and deducted from total equity. When the Trustee transfers the Company's shares to grantees upon vesting, the related costs of the awarded shares are credited to “Shares held for Restricted Share Award Scheme” with a corresponding adjustment to the share premium.

At the end of each reporting period, the Group revises its estimates of the number of these share-based awards that are expected to become vested. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

3.25 Provisions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Financial guarantee liabilities

Financial guarantee liabilities are recognized in respect of the financial guarantee provided by the Group for the property purchasers.

Financial guarantee liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization.

Financial guarantee liabilities are derecognized from the balance sheet when, and only when, the obligation specified in the contract is discharged, cancelled or expired.

3.27 Contract work

Contract costs are recognized when incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable by reference to the stage of completion.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected losses are recognized as expense immediately.

The Group uses the “percentage of completion method” to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost price of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress receivables and provisions. Provisions are recognized for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost price. The cost price includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs, rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in the preceding paragraph. Profits are not recognized unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress receivables is determined on a project by project basis.

The Group presents as an asset the “amounts due from customers for contract work” for all contracts in progress for which costs incurred plus recognized profits exceed progress receivables. Progress receivables not yet paid by customers and retention are included within “trade and other receivables”.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenue from sales of properties is recognized when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.

(b) Rental income

Rental income is recognized on a straight-line basis over the lease terms.

(c) Revenue from upfitting and construction contracts

Revenue from individual upfitting and construction contract is recognized, over the period of the contracts, when the outcome of the contracts can be estimated reliably and it is probable that these contracts will be profitable.

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

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

(d) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(e) Interest income

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

(f) Dividend income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.29 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) The Group is the lessor

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

3.30 Dividend distribution

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviews and approves policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company are exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the Group and the Company's functional currency. Majority of the Group and the Company's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group and the Company currently do not have a foreign currency hedging policy. However, management of the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2013, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax gain for the year of the Group would have been RMB222,394,000 higher (2012: RMB148,643,000 higher), mainly as the result of foreign exchange losses on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gains on translation of HKD/USD dominated derivative financial instruments and borrowings.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2013 and 2012, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2013, if interest rates had increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would have decreased/increased by approximately RMB3,597,000 (2012: RMB6,472,000).

(b) Credit risk

Credit risk arises from restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sales financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Credit risk arises from restricted bank deposits is limited, as all counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to banks in favor of certain customers to secure their repayment obligations to banks, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

As at 31 December 2013, the Group held cash and cash equivalents of RMB11,252,893,000 (2012: RMB10,747,479,000) (Note 26) and trade and other receivables of RMB9,971,065,000 (2012: RMB9,794,871,000) (Note 22) that are expected to readily generate cash inflows for managing liquidity risk. In addition, the Group holds listed equity securities for trading of RMB191,413,000 (2012: RMB189,076,000) (Note 18), which could be readily realized to provide a further source of cash if needed.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2013					
Borrowings	13,360,275	7,793,337	13,889,448	4,291,506	39,334,566
Trade and other payables excluding statutory liabilities	17,468,712	–	–	–	17,468,712
	<u>30,828,987</u>	<u>7,793,337</u>	<u>13,889,448</u>	<u>4,291,506</u>	<u>56,803,278</u>
At 31 December 2012					
Borrowings	12,027,663	8,204,105	13,677,412	3,385,050	37,294,230
Trade and other payables excluding statutory liabilities	15,646,338	–	–	–	15,646,338
	<u>27,674,001</u>	<u>8,204,105</u>	<u>13,677,412</u>	<u>3,385,050</u>	<u>52,940,568</u>

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Company					
At 31 December 2013					
Borrowings	2,244,843	3,025,041	2,359,705	–	7,629,589
Trade and other payables excluding statutory liabilities	2,563,270	–	–	–	2,563,270
	<u>4,808,113</u>	<u>3,025,041</u>	<u>2,359,705</u>	<u>–</u>	<u>10,192,859</u>
Company					
At 31 December 2012					
Borrowings	374,069	1,112,450	2,933,546	–	4,420,065
Trade and other payables excluding statutory liabilities	8,525,479	–	–	–	8,525,479
	<u>8,899,548</u>	<u>1,112,450</u>	<u>2,933,546</u>	<u>–</u>	<u>12,945,544</u>

4.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Capital risk management *(Continued)*

The gearing ratios at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Total borrowings (Note 33)	35,294,834	32,393,047
Less: cash and cash equivalents (Note 26)	(11,252,893)	(10,747,479)
Net debt	24,041,941	21,645,568
Total equity	43,445,045	42,046,238
Total capital	67,486,986	63,691,806
Gearing ratio	36%	34%

The increase in the gearing ratio during 2013 resulted primarily from the increase in net debt, and the increase in total equity at a lower rate.

4.3 Fair value estimation

The table below analyzes financial instatements carried at fair value, by valuation method. The different levels have been defined as follows:

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013 and 2012. See Note 9 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Group				
At 31 December 2013				
Financial assets at fair value through profit or loss (Note 18)	191,413	—	—	191,413
Available-for-sale financial assets: equity securities (Note 16)	—	963,187	188,060	1,151,247
	<u>191,413</u>	<u>963,187</u>	<u>188,060</u>	<u>1,342,660</u>
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2012				
Financial assets at fair value through profit or loss (Note 18)	189,076	—	—	189,076
Available-for-sale financial assets: equity securities (Note 16)	647,184	—	346,379	993,563
	<u>836,260</u>	<u>—</u>	<u>346,379</u>	<u>1,182,639</u>
Liabilities				
Group				
At 31 December 2012				
Derivative financial instruments	—	—	19,121	19,121

There were no transfers between Level 1 and 2 during the year.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily HKSE equity investments classified as available-for-sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation *(Continued)*

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

Note that all the resulting fair value estimates are included in level 2.

(c) Financial instruments in level 3

The financial assets classified in level 3 are mainly investments in unlisted equity securities, of which the fair values approximate the Group's share of the net asset values of the underlying entities.

The following table presents the changes in level 3 instruments for the year ended 31 December 2013

	Available-for-sale financial assets equity securities RMB'000
Financial assets in level 3	
Opening balance	346,379
Additions	3,131
Disposals	(161,450)
Closing balance	188,060
	Derivative financial instruments RMB'000
Financial liabilities in level 3	
Opening balance	19,121
Derecognized in profit or loss (Note 37)	(19,121)
Closing balance	—

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation *(Continued)*

(c) Financial instruments in level 3 *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Available-for-sale financial assets equity securities RMB'000
Financial assets in level 3	
Opening balance	221,954
Additions	165,292
Losses recognized in profit or loss due to impairment (Note 39)	(40,800)
Fair value change recognized in equity	(67)
Closing balance	346,379
	Derivative financial instruments RMB'000
Financial liabilities in level 3	
Opening balance	—
Additions	19,121
Closing balance	19,121

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 9.

(b) Estimate of fair value of employee share options

Up till 31 December 2013, fair value of employee share options issued by the Group is assessed by an independent qualified valuer, DTZ Debenham Tie Leung Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Income taxes and land appreciation tax (“LAT”)

The Group is primarily subject to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(d) Deferred income tax

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(e) Estimations for total properties construction cost

The Group estimates properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

(f) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.28. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests to the buyer, upon release of the property to the purchaser.

As disclosed in Note 47, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the banks by the purchasers. In order to obtain mortgage loans, the purchasers would need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(g) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.10. Assets are also reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of cash generating unit's fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates. In 2013, based on such reviews the directors have determined that certain of the Group's properties under development (Note 19) and completed properties held for sale (Note 23) were impaired, and relevant provision had been made.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating committee (the "Committee") that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From the product perspective, management considers the performance of property development and property investment. Property development businesses are further segregated geographically into Beijing, Tianjin, North-east as well as all other territories.

Other operations as carried out by the Group mainly include property management services, property sales agency services, as well as upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the Committee. The results of these operations are included in the "All other segments" column.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance costs and corporate finance income are not included in the result for each operating segment that is reviewed by the Committee, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any unrealized gains/losses from investments in joint ventures and associates as well as fair value gains/losses from investment properties and corporate overheads. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total segment assets exclude corporate cash and cash equivalents, investments in joint ventures and associates, available-for-sale financial assets, other investments, financial assets at fair value through profit or loss and deferred income tax assets, all of which are managed on a central basis. Total segment liabilities exclude borrowings, deferred income tax liabilities, distribution payables and derivative financial instrument, all of which are managed on a central basis as well. These are part of the reconciliation to total balance sheet assets and liabilities.

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

Turnover consists of property sales from the property development segment, and rental income as derived from the investment property segment, which are RMB28,146,398,000 and RMB549,563,000 for the year ended 31 December 2013 and RMB26,052,706,000 and RMB413,858,000 for the year ended 31 December 2012, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION (Continued)

The segment information provided to the Committee for the reportable segments for the years ended 31 December 2013 and 2012 is as follows:

	Property development				Investment property	All other segments	Total	Inter-company elimination	Total
	Beijing	Tianjin	North-east	Others					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013									
Total revenue	6,790,831	1,909,547	7,701,293	11,753,744	554,429	4,960,202	33,670,046	–	33,670,046
Inter-segment revenue	(9,017)	–	–	–	(4,866)	(2,556,778)	(2,570,661)	–	(2,570,661)
Revenue (from external customers)	6,781,814	1,909,547	7,701,293	11,753,744	549,563	2,403,424	31,099,385	–	31,099,385
Segment operating profit	1,511,248	166,680	955,004	2,043,988	448,685	351,687	5,477,292	1,317,244	6,794,536
Depreciation and amortization (Note 40)	(1,428)	(1,382)	(3,040)	(8,265)	(490)	(19,310)	(33,915)	–	(33,915)
Income tax expense (Note 43)	(695,287)	(58,786)	(481,296)	(976,093)	(239,827)	(228,492)	(2,679,781)	–	(2,679,781)
Finance income	21,347	35,892	36,607	195,592	45,072	661,903	996,413	(859,447)	136,966
Year ended 31 December 2012									
Total revenue	10,133,593	4,133,092	8,802,205	3,025,984	419,143	5,089,881	31,603,898	–	31,603,898
Inter-segment revenue	(42,168)	–	–	–	(5,285)	(2,898,649)	(2,946,102)	–	(2,946,102)
Revenue (from external customers)	10,091,425	4,133,092	8,802,205	3,025,984	413,858	2,191,232	28,657,796	–	28,657,796
Segment operating profit	3,664,131	365,512	2,021,020	565,279	369,921	775,696	7,761,559	(1,283,895)	6,477,664
Depreciation and amortization (Note 40)	(532)	(1,643)	(5,282)	(9,706)	(374)	(29,526)	(47,063)	–	(47,063)
Goodwill impairment (Note 10)	–	–	–	–	–	(125,527)	(125,527)	–	(125,527)
Income tax expense (Note 43)	(1,434,151)	(103,154)	(825,875)	(271,598)	(418,247)	(194,582)	(3,247,607)	–	(3,247,607)
Finance income	116,750	48,322	218,107	86,368	49,934	446,316	965,797	(937,835)	27,962
As at 31 December 2013									
Total segment assets	39,877,395	11,273,816	41,514,384	54,987,217	10,370,473	55,216,798	213,240,083	(82,636,076)	130,604,007
Additions to non-current assets (other than financial instruments and deferred income tax assets)	18,462	3,722	1,072	947	52,137	7,591	83,931	–	83,931
Total segment liabilities	24,617,250	6,103,207	19,685,471	29,287,165	2,356,983	45,811,792	127,861,868	(70,586,420)	57,275,448
As at 31 December 2012									
Total segment assets	40,321,137	10,669,910	37,786,905	48,997,695	6,512,683	51,598,382	195,886,712	(78,636,050)	117,250,662
Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,065	131	2,897	6,173	297	236,779	250,342	–	250,342
Total segment liabilities	28,030,098	5,265,874	19,170,221	32,218,350	1,016,849	43,561,931	129,263,323	(77,304,942)	51,958,381

6 SEGMENT INFORMATION *(Continued)*

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Segment operating profit	6,794,536	6,477,664
Corporate finance income	134,647	82,346
Corporate overheads	(363,711)	(594,418)
Fair value gains on investment properties (Note 9)	807,950	1,535,304
Share of gains of joint ventures	347,390	362,060
Share of losses of associates	(16,311)	(2,677)
Finance costs (Note 42)	(363,604)	(625,363)
Profit before income tax	7,340,897	7,234,916

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Total segment assets	130,604,007	117,250,662
Corporate cash and cash equivalents	1,650,033	5,271,624
Investments in joint ventures (Note 12)	1,682,273	1,477,657
Investments in associates (Note 13)	629,572	665,011
Available-for-sale financial assets (Note 16)	1,151,247	993,563
Other investments (Note 17)	19,676	63,091
Financial assets at fair value through profit or loss (Note 18)	191,413	189,076
Deferred income tax assets (Note 34)	1,940,419	2,393,892
Total assets per consolidated balance sheet	137,868,640	128,304,576
Total segment liabilities	57,275,448	51,958,381
Current borrowings (Note 33)	12,839,209	11,519,608
Non-current borrowings (Note 33)	22,455,625	20,873,439
Deferred income tax liabilities (Note 34)	1,853,313	1,698,080
Distribution payable (Note 35)	—	189,709
Derivative financial instrument (Note 37)	—	19,121
Total liabilities per consolidated balance sheet	94,423,595	86,258,338

The Company is incorporated in Hong Kong, with most of its major subsidiaries being domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the years ended 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION *(Continued)*

As at 31 December 2013, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB12,812,244,000 (2012: RMB9,701,332,000), the total of these non-current assets located in Hong Kong is RMB254,432,000 (2012: RMB322,924,000).

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

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Total RMB'000
Year ended 31 December 2013						
Opening net book amount	123,760	5,828	42,464	20,790	19,975	212,817
Additions	7,678	460	2,894	5,522	12,891	29,445
Transfer from completed property held for sale	2,349	–	–	–	–	2,349
Disposals	(4,482)	(11)	(2,314)	(35)	(268)	(7,110)
Depreciation charge (Note 40)	(6,109)	(1,170)	(9,565)	(8,491)	(8,334)	(33,669)
Disposals of subsidiaries (Note 50)	–	–	–	(5)	–	(5)
Closing net book amount	123,196	5,107	33,479	17,781	24,264	203,827
At 31 December 2013						
Cost	174,223	10,494	80,943	60,005	67,454	393,119
Accumulated depreciation	(51,027)	(5,387)	(47,464)	(42,224)	(43,190)	(189,292)
Net book amount	123,196	5,107	33,479	17,781	24,264	203,827
Year ended 31 December 2012						
Opening net book amount	121,941	5,522	48,859	27,552	21,598	225,472
Additions	7,552	3,198	7,593	3,813	11,422	33,578
Transfer from completed property held for sale	12,189	–	–	–	–	12,189
Disposals	–	(1,531)	(5,367)	(3,434)	(948)	(11,280)
Depreciation charge (Note 40)	(17,922)	(1,361)	(8,604)	(7,087)	(11,843)	(46,817)
Disposals of subsidiaries	–	–	(17)	(54)	(254)	(325)
Closing net book amount	123,760	5,828	42,464	20,790	19,975	212,817
At 31 December 2012						
Cost	168,757	10,096	88,606	55,730	56,757	379,946
Accumulated depreciation	(44,997)	(4,268)	(46,142)	(34,940)	(36,782)	(167,129)
Net book amount	123,760	5,828	42,464	20,790	19,975	212,817

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of RMB18,816,000 (2012: RMB35,555,000) has been charged in “cost of sales”, RMB14,853,000 (2012: RMB11,262,000) in “administrative expenses”.

As at 31 December 2012, buildings with carrying values of RMB70,186,000 were pledged as collateral for the Group’s borrowings (Note 33).

8 LAND USE RIGHTS

The Group’s interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of less than 50 years. The movements are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	9,231	9,477
Amortization charge (Note 40)	(246)	(246)
At end of the year	8,985	9,231

As at 31 December 2012, land use rights of the Group with carrying values of RMB6,042,000 were pledged as collateral for the Group’s borrowings (Note 33).

9 INVESTMENT PROPERTIES

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
At fair value		
At beginning of the year	7,202,254	5,462,375
Addition	52,137	204,575
Disposal of a subsidiary (Note 50)	(116,000)	—
Transfer from completed properties held for sale	2,356,155	—
Fair value gains	807,950	1,535,304
At end of the year	10,302,496	7,202,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INVESTMENT PROPERTIES *(Continued)*

(a) Amounts recognized in profit or loss for investment properties

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Rental income (Note 6)	549,563	413,858
Direct operating expenses arising from investment properties that generate rental income	(71,027)	(42,833)
Direct operating expenses that did not generate rental income	(24,258)	(5,147)
	<u>454,278</u>	<u>365,878</u>

As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: nil).

(b) Valuation basis

Fair value measurement using significant unobservable inputs

	Investment properties			
	Beijing RMB'000	Tianjin RMB'000	Hong Kong RMB'000	Total RMB'000
Opening balance as at 1 January	6,882,082	–	320,172	7,202,254
Additions	1,095,453	1,260,702	52,137	2,408,292
Disposal of subsidiary	–	–	(116,000)	(116,000)
Net gains or losses from fair value adjustment	1,143,360	(328,702)	(6,708)	807,950
Closing balance as at 31 December	<u>9,120,895</u>	<u>932,000</u>	<u>249,601</u>	<u>10,302,496</u>
Total gains or losses for the year ended 31 December 2013 included in profit or loss for assets held at the end of the year, under "Fair value gains on investment properties"	<u>1,143,360</u>	<u>(328,702)</u>	<u>(6,708)</u>	<u>807,950</u>
Change in unrealized gains or losses for the year ended 31 December 2013 included in profit or loss for assets held at the end of the year	<u>1,143,360</u>	<u>(328,702)</u>	<u>(6,708)</u>	<u>807,950</u>

The Group's policy is to recognize transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

9 INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Debenham Tie Leung Limited and BMI Appraisals Limited, independent qualified valuers not related to the Group, who hold recognized relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued, at 31 December 2013. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent qualified valuers.

Valuation techniques

Fair values of completed commercial properties in Beijing, Tianjin and Hong Kong are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

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

Significant unobservable inputs used to determine fair value

Description	Fair value at 31 Dec 2013 (RMB'000)	Valuation technique(s)	Range of significant unobservable inputs	
			Prevailing market rents	Capitalization rates (%)
Investment properties — Beijing	9,120,895	Income capitalization	RMB103 to RMB561 per month per square meter	7.00 to 9.25
Investment properties — Tianjin	932,000	Income capitalization	RMB144 to RMB291 per month per square meter	7.00 to 7.50
Investment properties — Hong Kong	249,601	Income capitalization	HKD40 to HKD60 per month per square feet	2.90 to 3.20

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalization rates are estimated by valuers based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INVESTMENT PROPERTIES *(Continued)*

(c) Non-current assets pledged as security

As at 31 December 2013 and 2012, investment properties of the Group with carrying values of RMB7,014,161,000 and RMB4,705,590,000, respectively, were pledged as collateral for the Group's borrowings (Note 33).

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivables as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within 1 year	597,490	419,615
Between 1 to 5 years	684,533	699,748
After 5 years	175,495	46,706
	<u>1,457,518</u>	<u>1,166,069</u>

The Group's interests in investment properties at their net book values are analysed as follows:

	2013 RMB'000	2012 RMB'000
In PRC, held on:		
Leases of less than 50 years	<u>10,052,895</u>	<u>6,997,679</u>

10 GOODWILL

	RMB'000
Year ended 31 December 2013	
Opening net book amount	457,286
Goodwill related to properties sold, charged to cost of sales	(217,763)
Closing net book amount	239,523
At 31 December 2013	
Cost	883,668
Goodwill related to properties sold, charged to cost of sales	(644,145)
Net book amount	239,523
Year ended 31 December 2012	
Opening net book amount	630,383
Goodwill related to properties sold, charged to cost of sales	(47,570)
Impairment charge (i)	(125,527)
Closing net book amount	457,286
At 31 December 2012	
Cost	883,668
Goodwill related to properties sold, charged to cost of sales	(300,855)
Impairment charge(i)	(125,527)
Net book amount	457,286

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below.

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Property development	237,188	454,951
Others	2,335	2,335
	239,523	457,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 GOODWILL (Continued)

The recoverable amount of a cash-generating unit is determined based on fair value less cost to sell calculation. These calculations use observable market prices for the units.

- (i) This represented impairment provision made for the entire goodwill recognized in 2010 arising from the acquisition of Gemini Investments (Holdings) Limited ("Gemini"), a company incorporated in Hong Kong, whose shares are listed on the Main Board of The Hong Kong Stock Exchange Limited. Such provision was made as the expected benefits from economies of scale at time of acquisition has not happened and the uncertainties of crystallization of such economics of scale in the foreseeable future. None of the goodwill impairment is expected to be deductible for income tax purposes.

11 INVESTMENTS IN SUBSIDIARIES — COMPANY

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	3,407,371	3,407,371
Contribution to the Restricted Share Award Scheme Trust	37,468	88,063
	3,444,839	3,495,434
Amounts due from subsidiaries	33,523,987	30,950,509
Amounts due to subsidiaries	(2,532,866)	(8,502,143)
	34,435,960	25,943,800

Amounts due from and to subsidiaries are unsecured, interest free and repayable on demand.

(a) Main subsidiaries

The following is a list of the subsidiaries as at 31 December 2013 which, in the opinion of the directors, materially affect the results or assets of the Group:

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(1)	Sino-Ocean Land Limited 遠洋地產有限公司	PRC	Limited liability company	RMB6,368,240	100%	Property development
(2)	遠洋國際建設有限公司	PRC	Limited liability company	RMB600,000	100%	Renovation service
(3)	Beijing Zhong Lian Land Development Company, Limited 北京中聯置地房地產開發有限公司	PRC	Limited liability Company	RMB560,000	100%	Property development
(4)	Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	PRC	Limited liability Company	RMB500,000	100%	Property development

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(5)	北京萬洋世紀創業投資管理有限公司	PRC	Limited liability Company	RMB341,000	100%	Consultant service
(6)	北京碧城創業投資管理有限公司	PRC	Limited liability Company	RMB336,000	100%	Consultant service
(7)	Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	PRC	Limited liability Company	RMB300,000	100%	Investment holdings
(8)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	PRC	Limited liability Company	USD30,000	72%	Investment property
(9)	Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司	PRC	Limited liability Company	RMB219,000	100%	Property development
(10)	北京遠洋園林工程有限公司	PRC	Limited liability Company	RMB200,000	100%	Renovation service
(11)	Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	PRC	Limited liability Company	RMB100,000	75%	Land development
(12)	Beijing Yuan Sheng Land Development Company, Limited 北京遠盛置業有限公司	PRC	Limited liability Company	RMB100,000	100%	Property development
(13)	Beijing Sino-Ocean Grand Architectural Decoration Engineering Co. Ltd. 遠洋裝飾工程有限公司	PRC	Limited liability Company	RMB100,000	80%	Renovation services
(14)	Beijing De Jun Land Development Company Limited 北京德俊置業有限公司	PRC	Limited liability Company	RMB90,000	100%	Property development
(15)	Beijing Dong Rong Real Estate Development Co., Ltd. ("Beijing Donglong") 北京東隆房地產開發有限公司	PRC	Limited liability Company	USD12,370	85.72%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(16)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	PRC	Limited liability Company	RMB75,000	100%	Land development
(17)	Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC	Limited liability Company	RMB60,000	100%	Property development
(18)	Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	PRC	Limited liability Company	RMB30,000	100%	Property development
(19)	Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	PRC	Limited liability Company	RMB30,000	100%	Property development
(20)	北京遠東新地置業有限公司	PRC	Limited liability Company	RMB30,000	100%	Property development
(21)	Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	PRC	Limited liability Company	RMB10,000	100%	Investment holdings
(22)	Beijing Yuan-lan Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC	Limited liability Company	RMB10,000	100%	Property development
(23)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	PRC	Limited liability Company	RMB600,000	97.05%	Property development
(24)	Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產建設開發有限公司	PRC	Limited liability Company	RMB420,000	100%	Property development
(25)	Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司	PRC	Limited liability Company	RMB400,000	96.99%	Property development

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(26)	Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產(天津)有限公司	PRC	Limited liability Company	RMB170,000	94.1%	Investment holding
(27)	天津宇華房地產開發有限公司	PRC	Limited liability Company	RMB100,000	100%	Property development
(28)	Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏置業有限公司	PRC	Limited liability Company	RMB30,000	100%	Property development
(29)	大連新悅置業有限公司	PRC	Limited liability Company	USD241,000	100%	Property development
(30)	大連匯洋置業有限公司	PRC	Limited liability Company	USD166,122	100%	Property development
(31)	大連廣宇置業有限公司	PRC	Limited liability Company	USD213,200	100%	Property development
(32)	大連聖基置業有限公司	PRC	Limited liability Company	USD114,545	100%	Property development
(33)	大連宏澤置業有限公司	PRC	Wholly foreign owned enterprise	USD138,630	100%	Property development
(34)	大連世甲置業有限公司	PRC	Limited liability Company	USD97,850	100%	Property development
(35)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC	Sino-foreign equity joint venture	USD80,000	100%	Property development
(36)	大連永圖置業有限公司	PRC	Wholly foreign owned enterprise	USD79,500	100%	Property development
(37)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC	Sino-foreign equity joint venture	USD76,860	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(38)	大連鑫融置業有限公司	PRC	Wholly foreign owned enterprise	USD120,000	100%	Property development
(39)	大連至遠置業有限公司	PRC	Wholly foreign owned enterprise	USD69,754	100%	Property development
(40)	大連潤峰置業有限公司	PRC	Wholly foreign owned enterprise	USD64,560	100%	Property development
(41)	大連源豐置業有限公司	PRC	Sino-foreign equity joint venture	USD50,700	100%	Property development
(42)	大連遠佳產業園開發有限公司	PRC	Wholly foreign owned enterprise	USD50,000	100%	Property development
(43)	Dalian Kaimeng Real Estate Co., Ltd. 大連凱盟房地產開發有限公司	PRC	Limited liability Company	RMB150,000	100%	Property development
(44)	大連通遠房地產開發有限公司	PRC	Limited liability Company	RMB8,000	100%	Land development
(45)	Wanxiang Zhiye (Shenyang) Co., Ltd. 萬祥置業(瀋陽)有限公司	PRC	Limited liability Company	RMB582,830	100%	Property development
(46)	Liaoning Wanxiang Property Co., Ltd. 遼寧萬祥置業有限公司	PRC	Limited liability Company	RMB459,240	100%	Property development
(47)	瀋陽萬洋投資管理諮詢有限公司	PRC	Limited liability Company	HKD367,500	100%	Consultant service
(48)	瀋陽碧城投資管理諮詢有限公司	PRC	Limited liability Company	USD47,000	100%	Consultant service
(49)	遠洋地產(遼寧)有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development
(50)	撫順德創置業有限公司	PRC	Limited liability Company	RMB387,953	65%	Property development
(51)	長春東方聯合置業有限公司	PRC	Limited liability Company	RMB200,000	51%	Property development

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(52)	青島遠佳置業有限公司	PRC	Limited liability Company	RMB666,670	100%	Property development
(53)	青島遠景置業有限公司	PRC	Limited liability Company	RMB605,000	100%	Property development
(54)	青島遠豪置業有限公司	PRC	Limited liability Company	RMB550,000	100%	Property development
(55)	Qinhuangdao Ocean Land Development Company, Limited 秦皇島市海洋置業房地產開發有限公司	PRC	Limited liability Company	RMB100,000	100%	Property development
(56)	Hangzhou Tianqi Property development Company, Limited ("Hangzhou Tianqi") 杭州遠洋天祺置業有限公司	PRC	Sino-foreign equity joint venture	USD147,760	51%	Property development
(57)	杭州遠洋運河商務區開發有限公司	PRC	Sino-foreign equity joint venture	USD143,210	51%	Property development
(58)	Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司	PRC	Limited liability Company	RMB500,000	70%	Property development
(59)	杭州遠洋新河酒店置業有限公司	PRC	Sino-foreign equity joint venture	USD93,414	51%	Property development
(60)	杭州德遠瑞祥置業有限公司	PRC	Limited liability Company	RMB723,000	100%	Property development
(61)	遠洋地產(上海)有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development
(62)	上海遠望置業有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development
(63)	上海遠正置業有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development

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11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(64)	上海遠鑫置業有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development
(65)	遠洋地產(鎮江)有限公司	PRC	Limited liability Company	RMB50,000	55%	Property development
(66)	黃山東方紅影視產業投資有限公司	PRC	Limited liability Company	RMB390,000	100%	Property development
(67)	遠洋地產(中山)開發有限公司	PRC	Sino-foreign equity joint venture	RMB720,000	100%	Property development
(68)	中山市遠見房地產開發有限公司	PRC	Limited liability Company	RMB30,000	80%	Property development
(69)	天基房地產開發(深圳)有限公司	PRC	Limited liability Company	HKD160,000	84.70%	Property development
(70)	三亞南國奧林匹克花園有限公司	PRC	Limited liability Company	RMB64,100	70%	Property development
(71)	三亞棠棣莊園投資有限公司	PRC	Limited liability Company	RMB64,000	52.5%	Property development
(72)	海南浙江椰香村建設開發有限公司	PRC	Limited liability Company	RMB15,000	70%	Property development
(73)	武漢弘福置業有限公司	PRC	Limited liability Company	RMB45,000	55%	Property development
(74)	重慶遠騰房地產開發有限公司	PRC	Sino-foreign equity joint venture	RMB1,100,000	87.25%	Property development
(75)	重慶國際高爾夫俱樂部有限公司	PRC	Limited liability Company	RMB96,290	85%	Land development
(76)	北京天江通睿置業有限公司	PRC	Limited liability Company	RMB3,923,144	100%	Property development
(77)	天津遠頤房地產開發有限公司	PRC	Limited liability Company	RMB50,000	100%	Property development

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(78)	北京遠旭股權投資基金管理有限公司	PRC	Limited liability Company	RMB30,000	100%	Investment management
(79)	大連利遠置業有限公司	PRC	Limited liability Company	USD103,410	100%	Property development
(80)	中山市遠恒房地產開發有限公司	PRC	Limited liability Company	RMB50,000	61%	Property development
(81)	遠洋養老運營管理有限公司	PRC	Limited liability Company	RMB60,000	100%	Pension service
(82)	Gemini Investments (Holdings) Limited 盛洋投資(控股)有限公司	Hong Kong	HK Listed company	HKD22,275	70.15%	Investment holding
(83)	Sino-Ocean Land Capital Inv Ltd 遠洋地產資本投資有限公司	BVI	Limited Company	USD50	100%	Investment holding
(84)	Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited Company	USD10	100%	Investment holding
(85)	Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong	Limited Company	HKD10	100%	Investment holding
(86)	Mission Success Limited 穎博有限公司	Hong Kong	Limited Company	HKD–	100%	Investment holding
(87)	Dynamic Class Limited 昇能有限公司	Hong Kong	Limited Company	HKD–	100%	Investment holding
(88)	Mega Precise Profits Limited	BVI	Limited Company	USD–	100%	Investment holding
(89)	Smart State Properties Limited	BVI	Limited Company	USD–	100%	Investment holding
(90)	Faith Ocean Int'l Ltd 信洋國際有限公司	BVI	Limited Company	USD–	100%	Investment holding
(91)	Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限公司	Hong Kong	Limited Company	HKD–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2013	Principal activities
(92)	Sino-Ocean Land (Perpetual Finance) Ltd 遠洋地產(恒財)有限公司	BVI	Limited Company	USD-	100%	Investment holding
(93)	Fame Gain Holdings Limited 名得控股有限公司	BVI	Limited Company	USD-	100%	Investment holding

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(b) Material non-controlling interests

The total non-controlling interest for the period as shown in the consolidated income statement is RMB568,375,000, of which RMB97,945,000 is for Beijing Donglong, and RMB373,051,000 is attributed to Hangzhou Tianqi. The non-controlling interest in respect of other subsidiaries is not considered material by the directors.

Cash and short-term deposits held by Beijing Donglong and Hangzhou Tianqi amounted to RMB818,396,000 in aggregate are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Set out below is the summarized financial information of each subsidiary that has non-controlling interests that are material to the Group. See Note 49 for details of the transactions with non-controlling interests.

Summarized balance sheet

	Beijing Donglong		Hangzhou Tianqi	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current				
Assets	5,752,345	6,034,170	3,929,653	6,124,951
Liabilities	(3,628,346)	(4,187,804)	(1,912,621)	(5,071,670)
Total current net assets	2,123,999	1,846,366	2,017,032	1,053,281
Non-current				
Assets	170,680	62,427	42,680	27,615
Liabilities	(1,070,000)	(1,370,000)	(430,000)	(150,000)
Total non-current net assets	(899,320)	(1,307,573)	(387,320)	(122,385)
Net assets	1,224,679	538,793	1,629,712	930,896

11 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

(b) Material non-controlling interests *(Continued)*

Summarized income statement

	Beijing Donglong		Hangzhou Tianqi	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	2,643,445	1,729,754	4,232,964	–
Profit before income tax	1,213,728	930,880	1,281,737	(10,615)
Income tax expense	(527,842)	(456,377)	(520,408)	2,654
Post-tax profit	685,886	474,503	761,329	(7,961)
Other comprehensive income	–	–	–	–
Total comprehensive income	685,886	474,503	761,329	(7,961)
Total comprehensive income allocated to non-controlling Interests	97,945	67,759	373,051	(3,901)
Dividends paid to non-controlling Interests	–	–	30,631	–

Summarized cash flows

	Beijing Donglong		Hangzhou Tianqi	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash flows from operating activities				
Cash generated from operations	1,639,703	714,576	22,528	545,452
Interest paid	(172,373)	(338,467)	(30,022)	(61,187)
Income tax paid	(202,154)	(116,231)	(56,816)	(21,025)
Net cash generated from/(used in) operating activities	1,265,176	259,878	(64,310)	463,240
Net cash used in investing activities	(7)	–	(161)	(880)
Net cash (used in)/generated from financing activities	(1,290,000)	195,500	(40,000)	(478,592)
Net (decrease)/increase in cash and cash equivalents	(24,831)	455,378	(104,471)	(16,232)
Cash and cash equivalents at beginning of the year	637,299	181,921	310,399	326,631
Exchange losses on cash and cash equivalents	–	–	–	–
Cash and cash equivalents at end of year	612,468	637,299	205,928	310,399

The information above is the amount before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENTS IN JOINT VENTURES

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At beginning of the year	1,477,657	1,052,135
Capital injection	22,040	119,539
Capital return from Sino Prosperity Real Estate Fund L.P.	(155,647)	(49,802)
Disposal	(8,807)	—
Share of results of joint ventures		
— after adjustment for unrealized profit or loss from inter-company transactions between the Group and the joint ventures	347,030	355,785
At end of the year	1,682,273	1,477,657

- (a) Following are the details of the joint ventures held directly by the Group as at 31 December 2013 and 2012, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Nature of relationship	Principal activities
				2013	2012		
Beijing Linlian Property Company Limited 北京麟聯置業有限公司	PRC	Limited liability Company	RMB400,000	50%	50%	(iii)	Land and property development
Chengdu Qiansong construction development Company Limited. 成都乾松城市建設開發有限公司	PRC	Limited liability Company	RMB50,000	50%	50%	(iii)	Land and property development
Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司	PRC	Limited liability Company	RMB635,267	50%	50%	(iii)	Land and property development
Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司	PRC	Limited liability Company	RMB8,000	50%	50%	(iii)	Land and property development
Sino Prosperity Real Estate Fund L.P. (i)	Cayman island	Exempted limited partnership	USD66,000	38%	38%	(iv)	Investment Management
Sino Prosperity Real Estate (GP), L.P.	Cayman island	Exempted limited partnership	USD706	50%	50%	(iv)	Investment Management
Sino Prosperity Real Estate Limited	Cayman island	Exempted limited liability company	USD806	50%	50%	(iv)	Investment Management

12 INVESTMENTS IN JOINT VENTURES *(Continued)*

- (a) Following are the details of the joint ventures held directly by the Group as at 31 December 2013 and 2012, all of which are unlisted: *(Continued)*

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Nature of relationship	Principal activities
				2013	2012		
Sino Prosperity Real Estate Adviser Limited	Cayman island	Exempted limited liability company	USD100	50%	50%	(iv)	Investment Management
Beijing Yuanbotengda Business Management Company Limited (ii) 北京遠博騰達商業管理有限公司	PRC	Limited liability Company	RMB1,000	51%	51%	(v)	Property Management
Beijing Yuanjian Nursing Service Co. Ltd. 北京遠健養老服務有限公司	PRC	Limited liability Company	RMB20,000	50%	–	(v)	Nursing service for the aged
Welfare lottery advertisement (Beijing) Co., Ltd. (ii) 福彩廣告(北京)有限公司	PRC	Limited liability Company	RMB20,000	60.02%	–	(v)	Advertisement

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

- (i) Although the Group holds less than 50% of the interest in Sino Prosperity Real Estate Fund L.P., the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of that fund.
- (ii) Although the Group holds more than 50% of the equity shares of these two entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of the two entities. Accordingly, these two entities are considered as joint ventures of the Group by the directors.
- (iii) Investments in these joint ventures provide more opportunities for the Group to explore business in property development and investment.
- (iv) Investments in these joint ventures provide more opportunities for the Group to explore business in real estate investment.
- (v) Investments in these joint ventures provide more opportunities for the Group to explore business in other business activities.
- (vi) Investments in all of the Group's joint ventures are accounted for using the equity method.
- (vii) There were no contingent liabilities or capital commitments relating to the Group's investment in joint ventures (2012: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENTS IN JOINT VENTURES *(Continued)*

- (b) Summarized financial information for joint ventures which are accounted for using the equity method:
Set out below is the summarized financial information of the joint ventures:

Summarized balance sheet

	Beijing Linlian Property Company Limited		Chengdu Qianhao Real Estate Company Limited		Chengdu Yingang Real Estate Company Limited		Other joint ventures		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current										
Cash and cash equivalents	269,010	226,709	357,603	118,350	15,115	4,850	47,521	7,445	689,249	357,354
Other current assets (excluding cash)	141,641	138,207	1,859,383	1,404,208	4,003	–	383,577	440,166	2,388,604	1,982,581
Total current assets	410,651	364,916	2,216,986	1,522,558	19,118	4,850	431,098	447,611	3,077,853	2,339,935
Financial liabilities (excluding trade payables)	(369,702)	(192,972)	(2,679,321)	(2,676,369)	(101,759)	(19,911)	(369,693)	(204,030)	(3,520,475)	(3,093,282)
Other current liabilities (including trade payables)	(810,289)	(909,653)	(1,503,124)	(242,080)	(36,297)	(18,236)	(18,559)	(33,315)	(2,368,269)	(1,203,284)
Total current liabilities	(1,179,991)	(1,102,625)	(4,182,445)	(2,918,449)	(138,056)	(38,147)	(388,252)	(237,345)	(5,888,744)	(4,296,566)
Non-current										
Assets	5,252,806	5,086,866	3,741,885	1,450,771	819,530	507,839	69,700	265,061	9,883,921	7,310,537
Financial liabilities	(1,776,831)	(1,740,845)	(996,528)	–	(53,472)	–	–	–	(2,826,831)	(1,740,845)
Other liabilities	(359,391)	(289,895)	(225,710)	(27,924)	(117,261)	(73,170)	(14,196)	–	(716,558)	(390,989)
Net assets	2,347,244	2,318,417	554,188	26,956	529,859	401,372	98,350	475,327	3,529,641	3,222,072

12 INVESTMENTS IN JOINT VENTURES *(Continued)*

(b) Summarized financial information for joint ventures which are accounted for using the equity method: *(Continued)*

Summarized statement of comprehensive income

	Beijing Linlian Property Company Limited		Chengdu Qianhao Real Estate Company Limited		Chengdu Yingang Real Estate Company Limited		Other joint ventures		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	362,644	203,911	347	230	4	–	10,789	18,280	373,784	222,421
Depreciation and amortization	(10,058)	(14,105)	(12,254)	(8,005)	(221)	(121)	(1,752)	(813)	(24,285)	(23,044)
Interest income	1,990	1,895	937	410	25	38	16,300	159	19,252	2,502
Interest expense	(131,305)	(89,839)	–	–	–	–	(7,275)	–	(138,580)	(89,839)
Profit or loss	84,730	703,343	703,350	25,143	172,579	291,401	12,792	8,643	973,451	1,028,530
Income tax expense	(55,903)	(217,280)	(176,118)	(12,233)	(44,092)	(73,169)	(2,558)	(1,728)	(278,671)	(304,410)
Post-tax profit	28,827	486,063	527,232	12,910	128,487	218,232	10,234	6,915	694,780	724,120
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	28,827	486,063	527,232	12,910	128,487	218,232	10,234	6,915	694,780	724,120
Dividends received from joint ventures	–	–	–	–	–	–	–	–	–	–

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENTS IN JOINT VENTURES (Continued)

(c) Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interests in the joint ventures.

	Beijing Linlian Property Company Limited		Chengdu Qianhao Real Estate Company Limited		Chengdu Yingang Real Estate Company Limited		Other joint ventures		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Opening net assets 1 January	2,318,417	1,623,354	26,956	14,046	401,372	183,140	475,327	467,412	3,222,072	2,287,952
Capital injection	–	209,000	–	–	–	–	40,000	100,604	40,000	309,604
Capital return	–	–	–	–	–	–	(409,597)	(99,604)	(409,597)	(99,604)
Profit for the year	28,827	486,063	527,232	12,910	128,487	218,232	10,234	6,915	694,780	724,120
Disposal	–	–	–	–	–	–	(17,614)	–	(17,614)	–
Closing net assets	2,347,244	2,318,417	554,188	26,956	529,859	401,372	98,350	475,327	3,529,641	3,222,072
Interest in joint ventures	1,173,622	1,159,209	277,094	13,478	264,930	200,686	49,175	186,472	1,764,821	1,559,845
Adjusted for eliminations resulting from upstream and downstream transactions	(72,506)	(76,822)	(4,856)	(181)	–	–	(5,186)	(5,185)	(82,548)	(82,188)
Carrying value	1,101,116	1,082,387	272,238	13,297	264,930	200,686	43,989	181,287	1,682,273	1,477,657

13 INTERESTS IN ASSOCIATES

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At beginning of the year	665,011	606,013
Capital injection	4,000	200,600
Disposal	(3,600)	–
Disposal of partial interests in an associate to a subsidiary of a shareholder (Note 51(b))	–	(120,667)
Share of results of associates — after adjustment for unrealized profit or loss from inter-company transactions between the Group and the joint ventures	(35,839)	(20,935)
At end of the year	629,572	665,011

13 INTERESTS IN ASSOCIATES *(Continued)*

(a) Following are the details of the associates of the Group at 31 December 2013 and 2012, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Nature of the relationship	Principal activities
				2013	2012		
Beijing Central Business District Development and Construction Company Limited("Beijing CBD") 北京商務中心區開發建設有限公司	PRC	Limited liability Company	RMB680,850	47%	47%	(ii)	Land development
Guoshou Yuanlong Real Estate Company Limited ("Guoshou Yuanlong")(i) 國壽遠通置業有限公司	PRC	Limited liability Company	RMB600,000	10%	10%	(ii)	Property development and investment services
Beijing Shengyong Property Development and investment Company Limited ("Beijing Shengyong") 北京盛永置業投資有限公司	PRC	Limited liability Company	RMB500,000	35%	35%	(ii)	Property development and investment services
Beijing Kunlian Xinhe Business Management Company Limited 北京坤聯信和商業管理有限責任公司	PRC	Limited liability Company	RMB5,000	40%	40%	(iii)	Consulting management
CIGIS (China) Company Limited 建設綜合勘察研究設計院有限公司	PRC	Limited liability Company	RMB50,000	35%	35%	(iii)	Survey and design
Zhongshang Yuanxin properties management Company Limited 中山市遠信商用物業管理有限公司	PRC	Limited liability Company	RMB10,000	40%	–	(iii)	Property management

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

- (i) Although the Group holds less than 20% of the equity shares of Guoshou Yuanlong, the Group is able to exercise significant influence under the contractual agreement in the strategic financial and operating policy decisions of that company.
- (ii) Investments in these associates provide the Group with more opportunities to explore business in property development business.
- (iii) Investments in these associates provide more opportunities for the Group to involve in related services to support property development, such as architectural design and property management.
- (iv) There were no contingent liabilities or capital commitments relating to the Group's interests in the associates (2012: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTERESTS IN ASSOCIATES *(Continued)*

- (b) Summarized financial information of associates which are accounted for using the equity method:
Set out below is the summarized financial information of the associates.

Summarized balance sheet

	Beijing CBD		Guoshou Yuantong		Beijing Shengyong		Other associates		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current										
Cash and cash equivalents	852	7,230	9,107	41,463	2,225	39,962	87,894	79,230	100,078	167,885
Other current assets (excluding cash)	1,737,301	1,676,758	2,867,453	850	1,057,240	749,111	303,674	433,223	5,965,668	2,859,942
Total current assets	1,738,153	1,683,988	2,876,560	42,313	1,059,465	789,073	391,568	512,453	6,065,746	3,027,827
Financial liabilities (excluding trade payables)	(1,081,234)	(1,022,261)	(29)	(340,827)	(512,544)	(644,565)	(161,126)	(315,081)	(1,754,933)	(2,322,734)
Other current liabilities (including trade payables)	(27)	(27)	(1,427)	(10,630)	(32,890)	(1,449)	(135,987)	(88,614)	(170,331)	(100,720)
Total current liabilities	(1,081,261)	(1,022,288)	(1,456)	(351,457)	(545,434)	(646,014)	(297,113)	(403,695)	(1,925,264)	(2,423,454)
Non-current										
Assets	334	379	428	2,810,604	495,255	306,799	154,191	127,771	650,208	3,245,553
Financial liabilities	–	–	(376,173)	–	(600,000)	–	(85,057)	(79,411)	(1,061,230)	(79,411)
Other liabilities	–	–	–	–	(7,610)	–	–	–	(7,610)	–
Net assets	657,226	662,079	2,499,359	2,501,460	401,676	449,858	163,589	157,118	3,721,850	3,770,515

13 INTERESTS IN ASSOCIATES *(Continued)*

(b) Summarized financial information of associates which are accounted for using the equity method: *(Continued)*

Summarized statement of comprehensive income

	Beijing CBD		Guoshou Yuantong		Beijing Shengyong		Other associates		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	-	-	-	-	19,750	588	472,627	411,876	492,377	412,464
Depreciation and amortization	(125)	(167)	(15)	(57)	(168)	(166)	(6,998)	(6,678)	(7,306)	(7,068)
Interest income	32	34	581	1,065	57	141	319	378	989	1,618
Interest expense	-	-	-	-	-	-	(983)	(849)	(983)	(849)
Profit or loss	(4,853)	(4,779)	(2,101)	(2,487)	(48,182)	(7,930)	8,697	8,435	(46,439)	(6,761)
Income tax expense	-	-	-	-	-	-	(2,226)	(1,001)	(2,226)	(1,001)
Post-tax profit	(4,853)	(4,779)	(2,101)	(2,487)	(48,182)	(7,930)	6,471	7,434	(48,665)	(7,762)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(4,853)	(4,779)	(2,101)	(2,487)	(48,182)	(7,930)	6,471	7,434	(48,665)	(7,762)
Dividends received from associates	-	-	-	-	-	-	-	-	-	-

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTERESTS IN ASSOCIATES *(Continued)*

(c) Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interests in the associates.

	Beijing CBD		Guoshou Yuantong		Beijing Shengyong		Other associates		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets 1 January	662,079	666,858	2,501,460	603,947	449,858	457,788	157,118	139,684	3,770,515	1,868,277
Capital Injection	-	-	-	1,900,000	-	-	10,000	10,000	10,000	1,910,000
Disposal	-	-	-	-	-	-	(10,000)	-	(10,000)	-
Profit for the year	(4,853)	(4,779)	(2,101)	(2,487)	(48,182)	(7,930)	6,471	7,434	(48,665)	(7,762)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Closing net assets	657,226	662,079	2,499,359	2,501,460	401,676	449,858	163,589	157,118	3,721,850	3,770,515
Interest in associates	308,896	311,177	249,936	250,146	140,587	157,450	60,007	56,564	759,426	775,337
Adjusted for eliminations resulting from upstream and downstream transactions	(65,318)	(54,940)	-	-	(64,352)	(55,384)	(184)	(2)	(129,854)	(110,326)
Carrying value	243,578	256,237	249,936	250,146	76,235	102,066	59,823	56,562	629,572	665,011

14 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

	Loans and receivables RMB'000	Assets at fair value through profit and loss RMB'000	Available- for-sale RMB'000	Total RMB'000
Assets				
As at 31 December 2013				
Available-for-sale financial assets (Note 16)	—	—	1,151,247	1,151,247
Financial assets at fair value through profit or loss (Note 18)	—	191,413	—	191,413
Trade and other receivables excluding prepayments	5,566,155	—	—	5,566,155
Restricted bank deposits (Note 25)	4,797,032	—	—	4,797,032
Cash and cash equivalents (Note 26)	11,252,893	—	—	11,252,893
	21,616,080	191,413	1,151,247	22,958,740
As at 31 December 2012				
Available-for-sale financial assets (Note 16)	—	—	993,563	993,563
Financial assets at fair value through profit or loss (Note 18)	—	189,076	—	189,076
Trade and other receivables excluding prepayments	5,737,366	—	—	5,737,366
Restricted bank deposits (Note 25)	5,399,197	—	—	5,399,197
Cash and cash equivalents (Note 26)	10,747,479	—	—	10,747,479
	21,884,042	189,076	993,563	23,066,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(a) Group *(Continued)*

	Other financial liabilities RMB'000
Liabilities	
As at 31 December 2013	
Borrowings (Note 33)	35,294,834
Trade and other payables excluding tax payables	17,468,712
	52,763,546
As at 31 December 2012	
Borrowings (Note 33)	32,393,047
Trade and other payables excluding tax payables	15,646,338
Derivative financial instrument (Note 37)	19,121
	48,058,506

(b) Company

	Loans and receivables RMB'000
Assets	
As at 31 December 2013	
Amounts due from subsidiaries (Note 11)	33,523,987
Other receivables excluding prepayments	2,060
Cash and cash equivalents (Note 26)	417,732
	33,943,779
As at 31 December 2012	
Amounts due from subsidiaries (Note 11)	30,950,509
Other receivables excluding prepayments	2,060
Cash and cash equivalents (Note 26)	433,817
	31,386,386

14 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(b) Company *(Continued)*

	Other financial liabilities RMB'000
Liabilities	
As at 31 December 2013	
Borrowings (Note 33)	6,994,406
Amount due to subsidiaries (Note 11)	2,532,866
Other payables excluding tax payables	30,404
	9,557,676
As at 31 December 2012	
Borrowings (Note 33)	3,938,099
Amount due to subsidiaries (Note 11)	8,502,143
Other payables excluding tax payables	23,336
	12,463,578

15 CREDIT QUALITY OF FINANCIAL ASSETS

(a) Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade receivables		
Counterparties without external credit rating	1,240,365	1,062,557
Trade receivables that are neither past due nor impaired	344,960	85,761

All bank deposits are with reputable banks. None of the bank deposits is considered as exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2013 and 2012.

(b) Company

All bank deposits are with reputable banks. None of the bank deposits is considered as exposure to major credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Investment in SOL Fund (a)	—	647,184
Investment in other unlisted equity securities (b)	188,060	346,379
Investment in fund investments (c)	713,187	—
Investment in structured products issued by banks (d)	250,000	—
	1,151,247	993,563
Less: non-current portion	(745,847)	(838,163)
Current portion	405,400	155,400

- (a) On 31 March 2008, SOL Investment Fund Limited ("SOL"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, for the purpose of carrying out investment activities for the Group. The sole underlying investment of SOL is SOL Fund, representing a portfolio of investments in listed shares, and its fair value as at 31 December 2012 was based on the respective quoted closing prices. SOL was liquidated during the year and all the underlying investments were disposed of accordingly.
- (b) Available-for-sale financial assets of the Group include certain unlisted equity securities which are mainly denominated in RMB. The fair value of unlisted securities approximates the Group's share of the net asset values of the respective entities.
- (c) To diversify the Group's investment risk and further enhance the return of the Group's investments, the Group has invested in several unlisted funds amounting to RMB713,187,000 during the year. As the Group has no power to govern or participate in the financial operating policies of the fund investment entities so as to obtain benefits from its activities and does not intend to trade these funds for short-term profit, the directors of the Company has designated these funds as available-for-sale financial assets.
- (d) The fair value of structured products approximates the carrying amount of such investment.

Available-for-sale financial assets include the following:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Fair value:		
— listed	—	647,184
— unlisted	1,151,247	346,379
	1,151,247	993,563
Market value of listed securities	—	647,184

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
— HKD	322,251	647,184
— RMB	466,100	337,550
— USD	362,896	8,829
	1,151,247	993,563

No impairment loss was recognized in the consolidated income statement during the year (2012: RMB40,800,000) (Note 39).

17 OTHER INVESTMENTS

Other investment represents gold bullions stated at fair values. The fair values are determined by reference to the quoted market price. Losses arising on measurement amounting to RMB672,000 (2012: RMB1,623,000) were recognized in the consolidated income statement during the year (Note 39).

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Listed securities — held-for-trading		
Equity securities listed in Hong Kong	92,940	158,266
Equity securities listed elsewhere	98,473	30,810
Market value of listed securities	191,413	189,076

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the statement of cash flows (Note 46).

Changes in fair values of financial assets at fair value through profit or loss are recorded in “other gains/(losses) — net” in the income statement (Note 39).

The fair value of all equity securities is based on their current bid prices in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 PROPERTIES UNDER DEVELOPMENT

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At beginning of the year	71,974,209	65,470,147
Additions	24,093,540	24,386,933
Transfer from deposits for land use rights	1,660,079	5,729,244
Disposal of subsidiaries	—	(499,532)
Provision for impairment	(85,934)	—
Transfer to completed properties held for sale	(27,738,667)	(23,112,583)
At end of the year	69,903,227	71,974,209
Properties under development comprise:		
Land use rights	34,617,973	38,349,707
Construction costs and capitalized expenditure	29,385,705	29,210,984
Interest capitalized	5,899,549	4,413,518
	69,903,227	71,974,209

Land use rights are analyzed as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
In the PRC held on:		
Leases of over 50 years	31,285,889	33,420,537
Leases within 50 years	3,332,084	4,929,170
	34,617,973	38,349,707

Properties under development are all located in the PRC.

As at 31 December 2013 and 2012, properties under development of approximately RMB24,080,984,000 and RMB37,420,859,000, respectively, were pledged as collateral for the Group's borrowings (Note 33).

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB28,404,130,000 (2012: RMB34,632,399,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

20 LAND DEVELOPMENT COST RECOVERABLE

Land development cost recoverable refers to capitalized costs on primary land development projects. The land use right certificates of these projects belong to the government, and the Group will subsequently receive at least the costs incurred as compensation from the government after work had been completed. Main activities for primary land development projects include dismantling and land leveling works.

21 PREPAYMENTS FOR LAND USE RIGHTS

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Deposits to local land authorities (a)	10,685,916	5,083,619

- (a) The prepayments were paid to local land authorities for land use rights as at 31 December 2013 and 2012, respectively. Once the title of land is transferred to the Group, the land will be used to develop properties held for sale.

22 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade receivables	1,240,365	1,062,557
Less: provision for impairment	(101,437)	(80,269)
Trade receivables — net (a)	1,138,928	982,288
Tax prepayments for advance receipts from customers	4,072,313	3,284,151
Entrusted loans to third parties (b)	175,000	175,000
Entrusted loans to joint ventures (c)	198,500	—
Entrusted loan to an associate (d)	512,000	398,306
Entrusted loan to a non-controlling interest (e)	114,240	—
Receivables from government (f)	813,132	2,146,969
Amounts due from joint ventures (g)	1,173,545	1,031,333
Amounts due from associates (g)	369,117	219,285
Amounts due from non-controlling interests (g)	51,720	45,720
Cooperation deposits (h)	588,607	215,006
Other prepayments	332,597	773,354
Other receivables	431,366	523,459
	9,971,065	9,794,871
Less: non-current portion	(15,606)	(475,129)
Current portion	9,955,459	9,319,742

The carrying amounts of trade and other receivables approximate their respective fair values as at 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables

Proceeds from services and sales rendered are to be received in accordance with the term of respective agreements. Ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within 6 months	492,570	466,271
Between 6 months to 1 year	293,286	406,095
Between 1 year to 2 years	400,357	183,518
Between 2 years to 3 years	48,500	2,865
Over 3 years	5,652	3,808
	1,240,365	1,062,557

- (i) As at 31 December 2013, trade receivables of RMB793,968,000 (2012: RMB896,527,000) were past due but not impaired. These related to a number of independent customers from upfitting services and property management services, for whom there is no significant financial difficulty and no recent history of default.
- (ii) As at 31 December 2013, trade receivables of RMB101,437,000 (2012: RMB80,269,000) were impaired. The individually impaired receivables mainly related to receivables of upfitting and property management fees.

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
At 1 January	(80,269)	(31,749)
Provision for receivable impairment	(21,168)	(48,520)
At 31 December	(101,437)	(80,269)

- (b) As at 31 December 2013, entrusted loans amounting to RMB175,000,000 (2012: RMB175,000,000) represent amounts lent to certain third parties. These balances are secured by respective share capital of the third parties and repayable on demand, interest bearing from 6% to 6.67% per annum (2012: from 5.56% to 6.65%), and are repayable on demand.
- (c) Entrusted loans to joint ventures are unsecured, bearing interest rate from 3.8% to 7.5% per annum (2012: nil) and are repayable in 2014.
- (d) Entrusted loan to an associate is unsecured, bearing interest rate from 5.31% to 7% per annum (2012: 5.31%) and are repayable in 2014.
- (e) Entrusted loan to a non-controlling interest is unsecured, bearing interest rate of 12% per annum (2012: nil), included in current portion, and are repayable in 2014.

22 TRADE AND OTHER RECEIVABLES *(Continued)*

- (f) Receivables from government mainly represent payment made for land development cost, and some deposits paid to the local government to ensure the business activities of property development which will be subsequently recoverable by the government.
- (g) Amounts due from joint ventures, associates and non-controlling interests are interest free, and repayable on demand.
- (h) Balances represent amounts paid to certain third parties, with the intention of future cooperation in real estate project development. As at 31 December 2013, the related cooperation plans are still in negotiation stage.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB.

23 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leases between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2013 and 2012, respectively.

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Completed properties held for sale comprise:		
Land use rights	3,178,830	2,396,915
Construction costs and capitalized expenditure	8,277,763	6,548,003
Interest capitalized	623,057	146,952
	12,079,650	9,091,870

As at 31 December 2013, completed properties held for sale amounting to RMB10,001,817,000 (2012: RMB2,583,448,000) were pledged as collateral for the Group's borrowings (Note 33).

Impairment loss amounting to RMB26,625,000 were recognized in profit or loss for the year ended 31 December 2013 (2012: RMB92,630,000).

Land use rights are analyzed as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
In the PRC held on:		
Leases of over 50 years	2,547,708	1,585,233
Leases within 50 years	631,122	811,682
	3,178,830	2,396,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Contract cost incurred plus recognized profit	4,830,227	5,056,919
Less: progress receivables	(3,833,688)	(4,224,756)
Contract work-in-progress	996,539	832,163
Representing:		
Amounts due from customers for contract work	996,539	832,163

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Contract revenue recognized as revenue in the year	1,692,736	1,617,189

25 RESTRICTED BANK DEPOSITS

Restricted bank deposits mainly represent guaranteed deposits for mortgage loan facilities granted by the banks for the certain purchasers of the Group's properties, as well as for projects co-developed with third parties. The balances also include deposits placed with certain banks, as guaranteed funds of construction projects to meet certain local authorities' requirements.

26 CASH AND CASH EQUIVALENTS

	As at 31 December			
	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash at bank and in hand	9,696,490	8,879,649	29,540	15,888
Short-term bank deposits	1,556,403	1,867,830	388,192	417,929
Cash and cash equivalents	11,252,893	10,747,479	417,732	433,817
Denominated in:				
— RMB	9,434,321	9,561,603	5,122	88,276
— HKD	953,742	798,741	272,509	272,146
— USD	861,746	387,119	140,089	73,379
— Other currencies	3,084	16	12	16
	11,252,893	10,747,479	417,732	433,817

The effective interest rates on short-term bank deposits ranged from 0.12% to 3.75% per annum for the year ended 31 December 2013 (2012: 0.01% to 2.86%).

The Group's cash and cash equivalents denominated are deposited with banks in the PRC and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

27 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares of HKD0.8 each	Nominal value of ordinary shares HKD\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
Opening balance 1 January 2013	5,850,141,263	4,680,113	4,428,676	16,306,805	-	20,735,481
Issue of shares (a)	1,322,553,178	1,058,043	838,636	4,121,210	-	4,959,846
Issue of shares pursuant to exercise of employee share options	36,379,500	29,104	23,330	106,074	-	129,404
Issue of scrip dividends	74,846,173	59,877	47,439	207,783	-	255,222
Share buyback	(1,900,000)	(1,520)	(1,210)	-	-	(1,210)
Vesting of shares under Restricted Share Award Scheme	-	-	-	501	-	501
	7,282,020,114	5,825,617	5,336,871	20,742,373	-	26,079,244
Restricted Share Award Scheme (b)						
Opening balance 1 January 2013	(24,541,185)	-	-	-	(92,435)	(92,435)
Shares purchased during the year	(1,021,000)	-	-	-	(3,673)	(3,673)
Issue of scrip dividends	(1,168,184)	-	-	-	-	-
Vesting of shares under Restricted Share Award Scheme	4,755,971	-	-	-	17,100	17,100
At 31 December 2013	(21,974,398)	-	-	-	(79,008)	(79,008)
At 31 December 2013	7,260,045,716	5,825,617	5,336,871	20,742,373	(79,008)	26,000,236
Opening balance 1 January 2012	5,660,257,632	4,528,206	4,304,667	15,926,417	-	20,231,084
Issue of shares pursuant to exercise of employee share options	12,811,500	10,249	8,347	28,286	-	36,633
Issue of scrip dividends	177,072,131	141,658	115,662	352,597	-	468,259
Vesting of shares under Restricted Share Award Scheme	-	-	-	(495)	-	(495)
	5,850,141,263	4,680,113	4,428,676	16,306,805	-	20,735,481
Restricted Share Award Scheme (b)						
Opening balance 1 January 2012	(33,702,318)	-	-	-	(131,959)	(131,959)
Issue of scrip dividends	(1,332,331)	-	-	-	-	-
Vesting of shares under Restricted Share Award Scheme	10,493,464	-	-	-	39,524	39,524
At 31 December 2012	(24,541,185)	-	-	-	(92,435)	(92,435)
At 31 December 2012	5,825,600,078	4,680,113	4,428,676	16,306,805	(92,435)	20,643,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE CAPITAL AND PREMIUM *(Continued)*

- (a) On 27 September 2013, the Company entered into a subscription agreement with each of the two shareholders, pursuant to which the two shareholders conditionally agreed to subscribe for the Company's shares of a total of 635,941,967 and 686,611,211 respectively. The issuance of shares was completed on 22 November at subscription price of HKD4.74 per share.
- (b) On 22 March 2010, the board of the Company resolved to adopt a Restricted Share Award Scheme, pursuant to which existing shares were purchased from the market and held in trust for the relevant selected employees, until such shares are vested in accordance with the provision of the scheme. As at 31 December 2013, 22,983,163 (2012: 6,247,296) shares were granted but not yet vested under the scheme.

28 RETAINED EARNINGS

	Year ended 31 December			
	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	8,779,986	6,497,606	1,235,906	1,022,326
Profit for the year	4,074,741	3,796,032	1,196,725	958,716
Dividends relating to 2011	—	(461,745)	—	(461,745)
Dividends relating to 2012 (Note 45)	(794,200)	(283,391)	(794,200)	(283,391)
Dividends relating to 2013 (Note 45)	(325,725)	—	(325,725)	—
Distribution relating to convertible securities (Note 31)	(257,531)	(448,809)	—	—
Distribution relating to capital securities (Note 32)	(254,349)	(258,368)	—	—
Share buyback	(6,834)	—	(6,834)	—
Repurchase of convertible securities (Note 31)	270,747	—	—	—
Transfer to statutory reserve fund	(128,243)	(61,339)	—	—
At 31 December	11,358,592	8,779,986	1,305,872	1,235,906

29 RESERVES

(a) Group

	Capital redemption reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2013	14,376	(763,427)	886,669	(52,730)	(10,879)	294,527	12,869	(46,145)	335,260
Fair value losses on available-for-sale financial assets	-	-	-	-	(2,309)	-	-	-	(2,309)
Fair value gains upon disposal of available-for-sale financial assets (Note 39)	-	-	-	-	20,946	-	-	-	20,946
Currency translation differences	-	-	-	27,674	-	-	-	-	27,674
Expense on share-based payment	-	-	-	-	-	42,443	50,596	-	93,039
Expiry of share options	-	-	-	-	-	(29,910)	-	29,910	-
Issue of shares pursuant to exercise of employee share options	-	-	-	-	-	(35,535)	-	-	(35,535)
Vesting of shares under Restricted Share Award Scheme	-	-	-	-	-	-	(17,601)	-	(17,601)
Transfer from retained earnings	-	-	128,243	-	-	-	-	-	128,243
Share buyback	1,210	-	-	-	-	-	-	-	1,210
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling interests (Note 49)	-	-	-	-	-	-	-	(384,895)	(384,895)
At 31 December 2013	15,586	(763,427)	1,014,912	(25,056)	7,758	271,525	45,864	(401,130)	166,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RESERVES (Continued)

(a) Group (Continued)

	Capital redemption reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted Share Award Scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2012	14,376	(763,427)	825,330	(39,097)	(33,489)	344,008	30,661	(208,814)	169,548
Fair value gains on available-for-sale financial assets	-	-	-	-	22,610	-	-	-	22,610
Currency translation differences	-	-	-	(13,633)	-	-	-	-	(13,633)
Expense on share-based payment	-	-	-	-	-	98,003	21,237	-	119,240
Expiry of share option	-	-	-	-	-	(137,457)	-	137,457	-
Issue of shares pursuant to exercise of employee share options	-	-	-	-	-	(10,027)	-	-	(10,027)
Vesting of shares under Restricted Share Award Scheme	-	-	-	-	-	-	(39,029)	-	(39,029)
Transfer from retained earnings	-	-	61,339	-	-	-	-	-	61,339
Capital injection from non-controlling interests	-	-	-	-	-	-	-	104,110	104,110
Increase in non-controlling interests as a result of disposal of interests without change of control	-	-	-	-	-	-	-	1,174	1,174
Decrease in non-controlling interest as a result of acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	(536)	(536)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	(79,536)	(79,536)
At 31 December 2012	14,376	(763,427)	886,669	(52,730)	(10,879)	294,527	12,869	(46,145)	335,260

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

29 RESERVES *(Continued)*

(b) Company

	RMB'000
At 1 January 2013	446,360
Employee share options	33,797
Issue of shares pursuant to exercise of employee share options	(35,535)
Share buyback	1,210
At 31 December 2013	445,832
At 1 January 2012	358,384
Employee share options	98,003
Issue of shares pursuant to exercise of employee share options	(10,027)
At 31 December 2012	446,360

30 SHARE OPTIONS

Share options are granted to several directors and to selected employees, in which 40% of the options are exercisable after 1 year from the grant date; additional 30% of the options are exercisable after 2 years from the grant date, and remaining 30% of the options are exercisable after 3 years from the grant date. The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share HKD	Shares (thousands)
At 1 January 2013	4.73	229,323
Granted during the year	—	—
Lapsed during the year	5.83	(24,496)
Exercised during the year	3.22	(36,380)
At 31 December 2013	4.90	168,447

Out of the 168,447,000 outstanding options (2012: 229,322,000), 86,278,000 (2012: 81,498,000) were exercisable as at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 SHARE OPTIONS *(Continued)*

Share options outstanding as at 31 December 2013 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
30 July 2014	8.59	19,740
2 September 2014	7.01	13,720
5 October 2014	7.11	21,850
12 January 2017	3.57	113,137
		168,447

No options were granted for the year ended 31 December 2013 (2012: 147,824,000). The weighted average fair value of options granted during the prior years was determined using the binomial lattice model. Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

31 CONVERTIBLE SECURITIES

On 27 July 2010, Sino-ocean Land Capital Finance Limited, a wholly owned subsidiary, issued perpetual subordinated convertible securities (the “convertible securities”), callable in 2015, with an initial aggregate principal amount of USD900,000,000, equivalent to RMB5,969,279,000.

Such convertible securities are guaranteed by and convertible into shares of the Company, at the same time bear distribution at a rate of 8% per annum, payable semi-annually. The issuer of the convertible securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

Holders of the convertible securities have the right to convert such convertible securities into shares of the Company at any time, commencing from 12 months after the issue date, at a fixed price of HKD6.85 per share.

As the convertible securities have no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition for classification of a financial liabilities under HKAS 32. As a result, the whole instrument is classified as part of equity, and respective distributions if and when declared are treated as equity dividends.

From June 2013 to September 2013, the Group repurchased all the convertible securities with a cash consideration of RMB5,698,532,000. The difference of the cash consideration paid and the carrying amounts of the convertible securities, amounting to RMB270,747,000, which mainly represented the exchange gain arising from the convertible securities, was recognised in the retained earnings.

32 CAPITAL SECURITIES

On 13 May 2011, Sino-Ocean Land (Perpetual Finance) Limited, a wholly owned subsidiary, issued the perpetual bonds (the “capital securities”), callable in 2016, with an initial aggregate principal amount of USD400,000,000, equivalent to RMB2,532,866,000.

Such capital securities are guaranteed by the Company, at the same time bear distribution at a rate of 10.25% per annum, payable semi-annually. The issuer of the capital securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

As the Group have no contracted obligation to repay its principal nor to pay any distributions, the capital securities do not meet the definition as financial liabilities under HKAS 32 under the term of the capital securities. As a result, the whole instrument is classified as equity, and respective distributions if and when declared are treated as equity dividends.

33 BORROWINGS

	As at 31 December			
	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Non-current				
Bank borrowings (a)	17,323,357	17,200,032	4,789,797	3,575,128
Other borrowings, interest bearing (b)	5,132,268	3,673,407	–	–
Total non-current borrowings	22,455,625	20,873,439	4,789,797	3,575,128
Current				
Current portion of long-term bank borrowings (a)	7,746,273	5,682,024	1,140,835	362,971
Current portion of long-term other borrowings (b)	400,000	2,599,800	–	–
Short-term bank borrowings (a)	3,779,130	1,004,836	1,063,774	–
Short-term other borrowings (b)	913,806	2,232,948	–	–
Total current borrowings	12,839,209	11,519,608	2,204,609	362,971
Total borrowings	35,294,834	32,393,047	6,994,406	3,938,099

- (a) As at 31 December 2013, bank borrowings amounting to RMB17,158,438,000 were secured by investment properties (Note 9), properties under development (Note 19), completed properties held for sale (Note 23) of the Group.

As at 31 December 2012, bank borrowings amounting to RMB19,054,681,000 were secured by property, plant and equipment (Note 7), land use rights (Note 8), investment properties (Note 9), properties under development (Note 19), completed properties held for sale (Note 23) of the Group.

As at 31 December 2013, bank borrowing of the Company amounting to RMB670,659,000 (2012: nil) was secured by properties under development of a subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BORROWINGS *(Continued)*

(b) Other borrowings, interest bearing

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Bond issuance (i)	2,480,268	2,406,843
Borrowings from trust companies (ii)	3,050,000	4,699,800
Borrowings from a shareholder(iii)	609,690	—
Borrowings from joint ventures (iv)	—	405,148
Borrowings from third parties(v)	306,116	994,364
	6,446,074	8,506,155
Less: non-current portion	(5,132,268)	(3,673,407)
Current portion	1,313,806	4,832,748

- (i) On 23 June 2009, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with an aggregate principal amount of RMB2,600,000,000 with maturity period of 6 years and net proceeds of RMB2,576,900,000 (net of issuance costs of RMB23,100,000). The bond carries a fixed annual interest rate of 4.40% for the first three years and the Group has an option to increase such interest rate from 0 to 100 basis points at the end of the third year. Interest is payable annually, with the principal fully repayable on 22 June 2015. The bond holders have the right to sell all or part of the bond at its face value to the issuer from the interest payment date of the third year.

In 2012, the interest rate of such bond was increased to 5.40% per annum. No further changes on terms of the bond happened in 2013.

- (ii) Such loans bear interest rate from 7.5% to 13% per annum. Approximating RMB2,650,000,000 on the loan portion(2012:RMB500,000,000) are repayable after one year are included in the non-current portion.
- (iii) The balances represent the loans from a shareholder as at 31 December 2013. Such loans bears interest at 4.2%, and are wholly repayable in 2014.
- (iv) The balances represent the loans from two of the Group's joint ventures to the Group's subsidiaries as at 31 December 2012. Such loans bear interest at floating rates, and were fully repaid in 2013.
- (v) The balance represents borrowings from certain individual third parties, bearing interest rate from 10% to 12% per annum. A portion of RMB2,000,000 (2012: RMB361,416,000) of the loan are repayable after one year and are included in the non-current portion.

33 BORROWINGS *(Continued)*

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2013 Bank and other borrowings RMB'000	2012 Bank and other borrowings RMB'000
Total borrowings		
— Within 1 year	12,839,209	11,519,608
— Between 1 and 2 years	7,039,243	7,460,666
— Between 2 and 5 years	12,030,882	11,263,273
— Over 5 years	3,385,500	2,149,500
	35,294,834	32,393,047

	As at 31 December			
	Bank borrowings		Other borrowings	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Wholly repayable within 5 years	26,979,260	20,831,892	4,744,074	8,506,155
Wholly repayable after 5 years	1,869,500	3,055,000	1,702,000	—
	28,848,760	23,886,892	6,446,074	8,506,155

(d) The Group's borrowings denominated in RMB, USD and HKD, respectively, are set out as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Denominated in:		
— RMB	26,389,432	26,899,918
— HKD	2,763,360	819,302
— USD	6,142,042	4,673,827
	35,294,834	32,393,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BORROWINGS (Continued)

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Bank borrowings	6.34%	6.77%
Other borrowings	9.34%	9.71%

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within 6 months	17,659,041	20,648,611
Between 6 and 12 months	7,971,901	3,063,200
Between 1 and 5 years	9,663,892	8,681,236
	35,294,834	32,393,047

(g) The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 8.24% (2012: 8.21%) and are within level 2 of the fair value hierarchy.

34 DEFERRED INCOME TAX

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	1,199,787	1,164,878
— to be recovered within 12 months	740,632	1,229,014
	1,940,419	2,393,892
Deferred income tax liabilities:		
— to be recovered after more than 12 months	(1,853,313)	(1,698,080)
— to be recovered within 12 months	—	—
	(1,853,313)	(1,698,080)
Deferred income tax assets, net	87,106	695,812

34 DEFERRED INCOME TAX *(Continued)*

The gross movement in the deferred income tax account is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At beginning of the year	(695,812)	(116,094)
Recognized in the income statement (Note 43)	614,010	(579,718)
Disposal of a subsidiary (Note 50)	(5,304)	—
At end of the year	(87,106)	(695,812)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2013 and 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of expenses RMB'000	Recognition of financial guarantee liabilities RMB'000	Unrealized gain RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2013	1,503,248	12,469	708,889	169,286	2,393,892
Credited/(charged) to income statement	(283,484)	(557)	(238,330)	68,898	(453,473)
At 31 December 2013	1,219,764	11,912	470,559	238,184	1,940,419
At 1 January 2012	813,388	18,486	534,984	135,975	1,502,833
Credited/(charged) to income statement	689,860	(6,017)	173,905	33,311	891,059
At 31 December 2012	1,503,248	12,469	708,889	169,286	2,393,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities

	Depreciation difference RMB'000	Investment properties revaluation RMB'000	Property revaluation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	(60,157)	(1,134,940)	(497,863)	(5,120)	(1,698,080)
Credited/(charged) to income statement	8,856	(221,956)	52,563	–	(160,537)
Disposal of subsidiaries (Note 50)	3,831	–	1,473	–	5,304
At 31 December 2013	(47,470)	(1,356,896)	(443,827)	(5,120)	(1,853,313)
At 1 January 2012	(51,195)	(736,676)	(593,748)	(5,120)	(1,386,739)
Credited/(charged) to income statement	(8,962)	(398,264)	95,885	–	(311,341)
At 31 December 2012	(60,157)	(1,134,940)	(497,863)	(5,120)	(1,698,080)

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets of RMB28,286,000 (2012: RMB36,729,000) in respect of losses amounting to RMB113,144,000 (2012: RMB146,917,000) that can be carried forward against future taxable income.

Deferred income tax liabilities of RMB253,716,000 (2012: RMB115,512,000) have not been recognized for the withholding tax that would be payable on the undistributed earnings of certain subsidiaries, as such earnings are to be permanently reinvested. Undistributed earnings totaled RMB5,074,140,000 at 31 December 2013 (2012: RMB2,310,103,000).

35 TRADE AND OTHER PAYABLES

(a) Group

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade payables	10,937,489	9,960,027
Accrued expenses	2,356,079	2,814,236
Distribution payables (Note 31)	—	189,709
Amounts due to a shareholder (i)	400,000	—
Amounts due to joint ventures (i)	—	1,886
Amounts due to associates (i)	385	194,338
Amounts due to non-controlling interests (i)	306,762	319,762
Amounts due to government	265,000	185,000
Other taxes payable	518,509	544,226
Financial guarantee liabilities (ii)	114,593	82,255
Other payables	3,088,404	1,899,125
	17,987,221	16,190,564

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

- (i) Amounts due to a shareholder, joint ventures, associates, non-controlling interests are unsecured, interest free, and repayable on demand.
- (ii) The financial guarantee liabilities given for purchasers of the Group's properties as set out in Note 47 is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At beginning of the year	82,255	64,134
Addition	92,033	63,659
Derecognition	(59,695)	(45,538)
At end of the year	114,593	82,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 TRADE AND OTHER PAYABLES *(Continued)*

(a) Group *(Continued)*

(iii) An ageing analysis of the trade payables is as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within 6 months	7,544,009	7,082,600
Between 6 months to 12 months	2,057,529	2,000,383
Between 1 year to 2 years	1,186,824	543,099
Between 2 years to 3 years	97,766	292,824
Over 3 years	51,361	41,121
	10,937,489	9,960,027

(b) Company

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Other payables	30,404	23,336

36 ADVANCE RECEIPTS FROM CUSTOMERS

These represent amounts received from customers for sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at year-end.

37 DERIVATIVE FINANCIAL INSTRUMENT

As at 31 December 2012, derivative financial instrument represents an option to acquire certain shares of a Hong Kong listed company granted to a third party during 2012. In December 2013, the Group entered into another supplemental agreement with the third party to cancel the granted option. As a result, the Group derecognized such derivative financial instrument and recorded a gain amounting to RMB19,121,000 (Note 39) to the income statement for the year ended 31 December 2013.

38 INTEREST AND OTHER INCOME

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Interest income	271,613	110,308
Dividend income from available-for-sale financial assets	11,960	16,253
Others	92,591	82,227
	376,164	208,788

The balances include Investment income which comprise of interest income from entrusted loans and dividend income from available-for-sale financial assets. The investment incomes from listed and unlisted investments for the year ended 31 December 2013 are RMB4,254,000 (2012: RMB3,103,000) and RMB67,049,000 (2012: RMB67,103,000), respectively.

39 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Gains on disposal of a subsidiary (Note 50)	27,489	70,685
Gains on disposal of partial interests in an associate to a subsidiary of a shareholder (Note 51(b))	—	20,333
Gains on disposal of a joint venture	1,666	—
Fair value losses of other investment	(672)	(1,623)
(Losses)/gains on disposal of other investments	(5,601)	1,238
Gains on revaluation of financial assets at fair value through profit or loss	10,299	17,365
Gains on disposal of financial assets at fair value through profit or loss	3,629	5,601
Goodwill impairment (Note 10(i))	—	(125,527)
Gains/(losses) on disposal of property, plant and equipment	63	(692)
Impairment losses on available-for-sale financial assets	—	(40,800)
Losses on disposal of available-for-sale financial assets	(20,946)	—
Exchange gains	100,120	5,409
Gains on de-recognition of derivative financial instrument (Note 37)	19,121	—
Losses on de-recognition of receivable from disposals of subsidiaries	—	(8,709)
Other losses	(32,710)	(69,237)
	102,458	(125,957)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Cost of properties and land use rights sold:		
— Land use rights	4,959,728	4,245,869
— Capitalized interest	1,009,184	1,100,549
— Construction related cost	13,415,850	11,830,570
Cost of up fitting services rendered	1,495,678	1,400,986
Direct investment property expenses (Note 9)	95,285	47,980
Employee benefit expense (Note 41)	566,085	733,805
Consultancy fee	190,046	121,484
Auditor's remuneration	13,826	13,802
Depreciation (Note 7)	33,669	46,817
Amortization of land use rights (Note 8)	246	246
Advertising and marketing	765,850	879,977
Business taxes and other levies	1,862,785	1,654,614
Impairment losses (a)	28,127	118,076
Office expenditure	117,734	102,127
Property maintenance expenses	254,131	193,273
Energy expenses	75,743	62,583
Others	128,568	222,277
	25,012,535	22,775,035

- (a) Included in the impairment losses for the year was a reversal of impairment losses amounting to RMB105,600,000 (2012: reversal of RMB43,853,000), details of which are as follows:

On 8 January 2008, the Group subscribed certain notes receivables with an aggregate principal amount of USD30,000,000 (the "Notes"), equivalent of RMB218,373,000, from an independent third party.

As at 31 December 2011, the Group, together with other subscribers (the "investors") of the Notes, was in arrangement with the issuer for repayments of the principal of the Notes, as well as respective interest. On 20 January 2012, a payment deed was signed between the investors and the issuer of the Notes, with principal and respective interest committed to be fully settled by 2014.

The Group reassessed the credit risk of the note receivables and an impairment provision of RMB149,453,000 was made as at 31 December 2011.

As at 31 December 2012, the Group reversed part of the impairment provision of the note receivables amounting to RMB43,853,000 due to partial repayments of the principal of the Notes amounting to RMB90,000,000.

As at 31 December 2013, the Group further reversed the remaining impairment provision of the note receivables amounting to RMB105,600,000 due to the full settlement of the principal of the Notes and the relevant interest incomes, amounting to RMB157,500,000 in total. The write back of the impairment provision was recognised in the profit or loss in 2013.

Other than the above, impairment losses for the year amounted to RMB133,727,000 (2012: RMB161,929,000) represents provision made for properties under development, completed properties held for sale and trade and other receivables.

41 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Group, including the directors' emoluments is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Salaries, wages and bonuses	686,695	974,571
Retirement benefits contribution	70,294	60,095
Share options granted to directors and employees	42,443	98,003
Restricted Share Award Scheme	50,596	21,237
Other allowances and benefits	171,949	133,757
	1,021,977	1,287,663
Less: capitalized in properties under development	(455,892)	(553,858)
	566,085	733,805

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2013 and 2012.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD25,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 EMPLOYEE BENEFITS EXPENSE (Continued)

(a) Directors' emoluments

The remuneration of every director for the years is set out below:

	Year ended 31 December						2012					
	2013						2012					
	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Share-based payments	Total	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Li Ming	-	4,760	3,060	1,081	8,084	16,985	-	4,630	3,365	1,072	7,612	16,679
Mr. Chen Runfu	-	2,240	81	-	1,921	4,242	-	2,430	152	-	2,655	5,237
Mr. Wen Haicheng (a)	-	1,550	81	-	2,169	3,800	-	-	-	-	-	-
Ms. Liu Hui	-	-	-	-	269	269	-	-	-	-	336	336
Mr. Yang Zheng	-	-	-	-	234	234	-	-	-	-	259	259
Mr. Cheung Sai Sing	236	-	-	-	234	470	243	-	-	-	259	502
Mr. Tsang Hing Lun	236	-	-	-	329	565	243	-	-	-	498	741
Mr. Gu Yunchang	236	-	-	-	329	565	243	-	-	-	498	741
Mr. Han Xiaojing	236	-	-	-	329	565	243	-	-	-	498	741
Mr. Zhao Kang	236	-	-	-	329	565	243	-	-	-	498	741
Mr. Wang Xiaoguang (b)	-	-	-	-	-	-	-	8,070	171	-	3,112	11,353
	1,180	8,550	3,222	1,081	14,227	28,260	1,215	15,130	3,688	1,072	16,225	37,330

(a) Mr. Wen Haicheng was appointed as Executive Director on 10 May 2013.

(b) Mr. Wang Xiaoguang was retired as Executive Director on 10 May 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Basic salaries and allowance	5,150	4,620
Bonuses	3,140	8,510
Retirement scheme contributions	368	370
Share-based payments	7,771	11,984
	16,429	25,484

41 EMPLOYEE BENEFITS EXPENSE *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Year ended 31 December	
	2013	2012
RMB3,931,000 (equivalent to HK\$5,000,000) to RMB4,324,000 (equivalent to HK \$5,500,000)	1	—
RMB5,110,000 (equivalent to HK\$6,500,000) to RMB5,504,000 (equivalent to HK\$7,000,000)	2	—
RMB5,897,000 (equivalent to HK\$7,500,000) to RMB6,290,000 (equivalent to HK\$8,000,000)	1	—
RMB7,469,000 (equivalent to HK\$9,500,000) to RMB7,862,000 (equivalent to HK\$10,000,000)	—	1
RMB8,255,000 (equivalent to HK\$10,500,000) to RMB8,649,000 (equivalent to HK\$11,000,000)	—	1
RMB9,435,000 (equivalent to HK\$12,000,000) to RMB9,828,000 (equivalent to HK\$12,500,000)	—	1
RMB11,007,000 (equivalent to HK\$14,000,000) to RMB11,400,000 (equivalent to HK\$14,500,000)	—	1
RMB16,511,000 (equivalent to HK\$21,000,000) to RMB16,904,000 (equivalent to HK\$21,500,000)	—	1
RMB16,904,000 (equivalent to HK\$21,500,000) to RMB17,297,000 (equivalent to HK\$22,000,000)	1	—
	5	5

- (c) During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 FINANCE COSTS

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Interest expense:		
— Bank borrowings	1,520,427	2,019,193
— Other borrowings	1,064,320	926,623
Less: interest capitalized at a capitalization rate of 7.33% (2012: 7.72%) per annum	(2,221,143)	(2,320,453)
	363,604	625,363

43 INCOME TAX EXPENSE

Majority of the group entities are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the years ended 31 December 2013 and 2012. Other group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Current income tax:		
— PRC enterprise income tax	1,285,697	2,308,304
— PRC land appreciation tax	780,074	1,519,021
Deferred income tax (Note 34)	614,010	(579,718)
	2,679,781	3,247,607

43 INCOME TAX EXPENSE *(Continued)*

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit before income tax	7,340,897	7,234,916
Adjust for: Share of gains of joint ventures	(347,390)	(362,060)
Share of losses of associates	16,311	2,677
	7,009,818	6,875,533
Tax calculated at a tax rate of 25%	1,752,455	1,718,883
Effect of higher tax rate for the appreciation of land in the PRC	585,056	1,139,265
Income not subject to tax	(333)	(3,025)
Expenses not deductible for tax purposes	199,074	279,815
Dividend withholding tax	151,972	83,095
Tax losses not recognized	70,689	77,492
Utilization of previously unrecognized tax losses	(79,132)	(47,918)
Income tax expense	2,679,781	3,247,607

44 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as share held for Restricted Share Award Scheme (Note 27).

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	4,074,741	3,796,032
Distribution relating to convertible and capital securities (RMB'000)	(511,880)	(707,177)
Profit used to determine basic earnings per share (RMB'000)	3,562,861	3,088,855
Weighted average number of ordinary shares in issue (thousands)	6,015,516	5,702,860
Basic earnings per share (RMB per share)	0.592	0.542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, shares held for the Restricted Share Award Scheme, and convertible securities. For the share option and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and the unvested awarded shares. Convertible securities when calculated on an average basis, were not included in the calculation of dilutive earnings per share for the years ended 31 December 2012 because of their anti-diluted effect, and there are no outstanding convertible shares as at 31 December 2013 due to the repurchase of all the convertible securities (Note 31).

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	4,074,741	3,796,032
Distribution relating to convertible and capital securities (RMB'000)	(511,880)	(707,177)
Profit used to determine diluted earnings per share (RMB'000)	3,562,861	3,088,855
Weighted average number of ordinary shares in issue (thousands)	6,015,516	5,702,860
Adjustment for:		
— share options (thousands)	34,841	2,885
— shares held for the Restricted Share Award Scheme (thousands)	2,933	320
Weighted average number of ordinary shares for diluted earnings per share (thousands)	6,053,290	5,706,065
Diluted earnings per share (RMB per share)	0.589	0.541

45 DIVIDENDS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interim dividend paid	325,725	283,391
Proposed final dividend of RMB0.13 (2012: RMB0.14) per ordinary share (a)	920,391	806,942

- (a) On 13 March 2014, the Company proposed a final dividend of RMB920,391,000 for the year ended 31 December 2013.

46 CASH USED IN OPERATIONS

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit for the year	4,661,116	3,987,309
Adjustments for:		
— Income tax expense (Note 43)	2,679,781	3,247,607
— Depreciation (Note 7)	33,669	46,817
— Amortization of land use rights (Note 8)	246	246
— Valuation gains on investment properties (Note 9)	(807,950)	(1,535,304)
— Goodwill related to properties sold charged to cost of sales (Note 10)	217,763	47,570
— Goodwill impairment (Note 10)	—	125,527
— Share of results of joint ventures (Note 12)	(347,030)	(355,785)
— Gains on disposal of joint venture (Note 39)	(1,666)	—
— Share of results of associates (Note 13)	35,839	20,935
— Other losses on de-recognition of receivable from disposals of subsidiaries (Note 39)	—	8,709
— Dividend income from available-for-sale financial assets (Note 38)	(11,960)	(16,253)
— Interest income	(95,793)	(53,953)
— Gains on disposal of subsidiaries (Note 39)	(27,489)	(70,685)
— Gains on disposal of partial interests in an associate (Note 39)	—	(20,333)
— Losses on disposal of available-for-sale financial assets (Note 39)	20,946	—
— (Gains)/losses on sale of property, plant and equipment (Note 39)	(63)	692
— Fair value losses from other investment (Note 39)	672	1,623
— Fair value gains on financial assets at fair value through profit or loss (Note 39)	(10,299)	(17,365)
— Gains on de-recognition of derivative financial instrument (Note 39)	(19,121)	—
— Impairment loss of available-for-sale financial assets (Note 39)	—	40,800
— Other losses (Note 39)	32,710	69,237
— Impairment losses (Note 40)	28,126	118,076
— Finance costs (Note 42)	363,604	625,363
— Exchange losses	58,563	747
— Share-based payments	93,039	119,240
	6,904,703	6,390,820
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	(5,372,908)	(5,935,603)
— Inventories, at cost	(20,250)	(10,638)
— Amounts due from customers for contract work	(164,376)	(412,420)
— Trade and other receivables	(215,259)	(2,666,472)
— Land development cost recoverable	(75,347)	456,529
— Prepayments for land use rights	(7,262,376)	3,104,873
— Cooperation deposits	—	(10,144)
— Trade and other payables	1,924,785	6,212,043
— Other investments	42,743	(49,134)
— Financial assets at fair value through profit or loss	7,962	297,389
— Prepayments	440,757	(394,198)
— Advanced proceeds received from customers	3,922,327	8,575,015
— Properties under development	5,866,270	(4,656,781)
— Restricted bank deposits	602,165	(1,630,375)
Cash generated from operations	6,601,196	9,270,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 CASH USED IN OPERATIONS *(Continued)*

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Net book amount (Note 7)	7,110	11,280
Gains/(losses) on disposal of property, plant and equipment (Note 39)	63	(692)
Proceeds from disposal of property, plant and equipment	7,173	10,588

47 FINANCIAL GUARANTEES

(a) Group

The Group had the following financial guarantees as 31 December 2013 and 2012:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	5,733,299	3,837,194

As at 31 December 2013 and 2012, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain 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 interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) Company

As at 31 December 2013, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of capital securities (Note 32).

As at 31 December 2012, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of convertible securities (Note 31) and capital securities (Note 32).

48 COMMITMENTS

(a) Capital commitments

(i) Capital commitments — Group

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Land use rights	2,679,935	7,710,225
Properties under development	9,606,370	23,018,868
Contracted but not provided for	12,286,305	30,729,093

(ii) Capital commitments — Company

There are no capital commitments relating to the Company for the year ended 2013 and 2012.

(b) Operating lease rental receivables

(i) Operating lease rental receivables — Group

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within 1 year	618,627	425,433
Between 1 to 5 years	843,897	839,995
Over 5 years	736,788	105,019
	2,199,312	1,370,447

(ii) Operating lease rental receivables — Company

There are no operating lease rental receivables relating to the Company for the year ended 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary

- (i) In May 2013, the Group acquired an additional 50% equity interest in Zhongshan Yuanjian Real Estate Development Company Limited ("Zhongshan Yuanjian") at consideration of RMB142,000,000. The effect of changes in the ownership interest in Zhongshan Yuanjian on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	7,404
Consideration paid to non-controlling interests	(142,000)
Excess of consideration paid recognized within equity	(134,596)

- (ii) In May 2013, the Group acquired an additional 15% equity interest in Sino-Ocean Land Real Estate (Liaoning) Development Company Limited ("Sino-Ocean Land (Liaoning)") at consideration of RMB9,000,000. The effect of changes in the ownership interest of Sino-Ocean Land (Liaoning) on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	(579)
Consideration paid to non-controlling interests	(9,000)
Excess of consideration paid recognized within equity	(9,579)

- (iii) In May 2013, the Group acquired an additional 30% equity interest in Mizhiyun Calling Center ("Mizhiyun") at consideration of RMB45,000,000. The effect of changes in the ownership interest in Mizhiyun on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	18,883
Consideration paid to non-controlling interests	(45,000)
Excess of consideration paid recognized within equity	(26,117)

49 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

(a) Acquisition of additional interest in a subsidiary *(Continued)*

- (iv) In November 2013, the Group acquired an additional 10% equity interest in Dalian Xinyue Property Development Co., Ltd, Dalian Guangyu Property Development Co., Ltd, Dalian Zhiyuan Property Development Co., Ltd, Dalian Yongtu Property Development Co., Ltd, Dalian Runfeng Property Development Co., Ltd and Dalian Shengji Property Development Co., Ltd, (collectively "Project Ocean Diamond Bay") at consideration of RMB983,083,000 from a subsidiary of a shareholder. The carrying amount of the non-controlling interests in Project Ocean Diamond Bay on the date of acquisition was RMB931,308,000. The effect of changes in the ownership interest of Project Ocean Diamond Bay on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	931,308
Consideration paid to non-controlling interests	(983,083)
Excess of consideration paid recognized within equity	(51,775)

- (v) In November 2013 the Group acquired an additional 20% equity interest in Beijing Skyriver CBD Property Co., Ltd ("Skyriver") at consideration of RMB152,711,000 from a subsidiary of a shareholder. The carrying amount of the non-controlling interests in Skyriver on the date of acquisition was RMB10,117,000. The effect of changes in the ownership interest of Skyriver on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	(10,117)
Consideration paid to non-controlling interests	(152,711)
Excess of consideration paid recognized within equity	(162,828)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

- (b) Effects of transactions with non-controlling interests on the equity attributable to equity holders for the year ended 31 December 2013:

	2013 RMB'000
Total comprehensive income for the year attributable to the owners of the Company	4,093,373
Changes in equity attributable to owners of the Company arising from the acquisition of additional interests in a subsidiary	(384,895)
	<u>3,708,478</u>

50 DISPOSAL OF SUBSIDIARIES

- (a) In February 2013, a subsidiary of the Group entered into an agreement with Pacific Sunrise Holdings Limited, an independent third party, to dispose of Trendex Investment Limited, a subsidiary of the Group. The subsidiary was sold in May 2013 for cash consideration of RMB138,311,000.

	2013 RMB'000
Proceeds on disposal of subsidiary	138,311
Carrying value of the subsidiary disposed — shown as below	(110,822)
	<u>27,489</u>

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	5
Investment properties (Note 9)	116,000
Trade and other receivables	3,351
Other payables	(3,230)
Deferred income tax liabilities	(5,304)
	<u>110,822</u>
Net assets disposed	
Inflow of cash to disposed business, net of cash disposed	
Proceeds received in cash	138,311
Cash and cash equivalents in subsidiary disposed of	<u>—</u>
Cash inflow on disposal	<u>138,311</u>

51 RELATED PARTY TRANSACTIONS

Save as disclosed in Note 27 and Note 49(a)(iv) and (v), the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2013 and 2012:

(a) Sales of services

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Provision of services (i):		
— A shareholder	37,106	54,641
— A joint venture	18,774	89,765
— An associate	119,573	159,390
	<u>175,453</u>	<u>303,796</u>

- (i) Sales of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreement.

(b) Transaction with a subsidiary of a shareholder

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Gains on disposal of partial interest in an associate to a subsidiary of a shareholder (i)	—	20,333

- (i) In April 2012, the Group disposed of partial interest of an associate to a subsidiary of a shareholder, for cash consideration of RMB141,000,000 (Note 13 and Note 39).

(c) Key management compensation

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	32,719	56,832
Post-employment benefits	3,458	6,216
Other long-term welfare	1,081	2,672
Share-based payments	35,739	42,853
	<u>72,997</u>	<u>108,573</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Year-end balances arising from sales of services

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Receivables from related parties:		
— An associate	615	1,199
— Joint ventures	10,951	27,221
	11,566	28,420
Advance receipts from related parties (i):		
— An associate	33,382	338
— Shareholder	436	—
— Joint ventures	38	85,656
	33,856	85,994

- (i) Sales of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreements.

(e) Interest income

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Interest received:		
— An associate	16,046	4,721
— Joint ventures	3,426	118
	19,472	4,839

51 RELATED PARTY TRANSACTIONS *(Continued)*

(f) Loans to related parties

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Joint ventures:		
At 1 January	–	25,000
Loans advanced during year	198,500	19,020
Loans repayments received	–	(44,020)
Interest charged	(3,426)	(118)
Interest received	3,426	118
At 31 December (Note 22(c))	198,500	–
An associate:		
At 1 January	398,306	415,771
Loans advanced during year	2,212,846	438,076
Loans repayments received	(2,099,152)	(455,541)
Interest charged	(16,046)	(4,721)
Interest received	16,046	4,721
At 31 December (Note 22(d))	512,000	398,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51 RELATED PARTY TRANSACTIONS *(Continued)*

(g) Amounts due from related parties

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Joint ventures:		
At 1 January	1,031,333	1,156,756
Amounts advanced during year	377,112	406,577
Repayments during year	(234,900)	(532,000)
At 31 December (Note 22(g))	1,173,545	1,031,333
An associate:		
At 1 January	219,285	63,453
Amounts advanced during year	562,360	174,522
Repayments during year	(412,528)	(18,690)
At 31 December (Note 22(g))	369,117	219,285

(h) Advances from related parties

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
A shareholder:		
At 1 January	—	—
Loans advanced during year	609,690	—
Interest charged	48,506	—
Interest paid	(48,506)	—
At 31 December (Note 33(b)(iii))	609,690	—

51 RELATED PARTY TRANSACTIONS *(Continued)*

(i) Amounts due to related parties

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
A shareholder:		
At 1 January	—	—
Amounts advanced during year	400,000	—
At 31 December (Note 35(a)(i))	400,000	—
Joint ventures:		
At 1 January	1,886	3,181
Repayments during year	(1,886)	(1,295)
At 31 December (Note 35(a)(i))	—	1,886
Associates:		
At 1 January	194,338	190
Amounts advanced during year	—	194,148
Repayments during year	(193,953)	—
At 31 December (Note 35(a)(i))	385	194,338

FIVE-YEAR FINANCIAL SUMMARY

	2013	2012	2011	2010	2009
Revenue	31,099	28,658	19,897	13,721	8,824
Gross Profit	7,547	7,699	6,258	4,125	2,657
Profit attributable to owners of the Company	4,075	3,796	2,571	2,444	1,582
Total assets	137,869	128,305	110,285	92,730	62,148
Total liabilities	94,424	86,258	71,528	59,605	38,262
Shareholders' equity	40,058	38,260	35,268	31,071	23,368
Total equity	43,445	42,046	38,757	33,126	23,886

LIST OF PROJECT NAMES

	Region	Cities	Project names (Chinese)	Project names (English)	Project names used before (Chinese)	Project names used before (English)
1	Beijing	Beijing	CBD Z6 地塊(北京)	CBD Plot Z6 (Beijing)		
2			CBD Z13 地塊(北京)	CBD Plot Z13 (Beijing)		
3			頤堤港(北京)	INDIGO (Beijing)	將台商務中心	Jiangtai Business Center
4			密之雲項目	Mizhiyun Project		
5			遠洋都市網景(北京)	Ocean Cityscape (Beijing)		
6			遠洋•萬和公館(北京)	Ocean Crown (Beijing)	大望京項目	Dawangjing Project
7			遠洋新幹線(北京)	Ocean Express (Beijing)		
8			遠洋•萬和城(北京)	Ocean Great Harmony (Beijing)		
9			遠洋•萬和城 C 區項目(北京)	Ocean Great Harmony Plot C Project (Beijing)		
10			遠洋公館(北京)	Ocean Honored Chateau (Beijing)		
11			遠洋國際中心(北京)	Ocean International Center (Beijing)		
12			遠洋國際中心二期	Ocean International Center, Phase II (Beijing)	京棉項目	Jingmian Project
13			遠洋山水(北京)	Ocean Landscape (Beijing)		
14			遠洋•沁山水(北京)	Ocean Landscape Eastern Area (Beijing)		
15			遠洋•沁山水 E02/03 項目(北京)	Ocean Landscape Eastern Area E02/03 Project (Beijing)		
16			遠洋•LA VIE(北京)	Ocean LA VIE (Beijing)		
17			遠洋•傲北(北京)	Ocean Manor (Beijing)	北七家	Beiqijia Project
18			遠洋萬和四季(北京)	Ocean Melody (Beijing)		
19			遠洋•光華國際(北京)	Ocean Office Park (Beijing)		
20			遠洋•東方公館(北京)	Ocean Oriental Mansion (Beijing)	通州玉橋項目	Tongzhou Yuyiao Project
21			遠洋•天著(北京)	Ocean Palace (Beijing)	亦庄三羊項目	Yizhuang Sanyang Project
22			遠洋天地(北京)	Ocean Paradise (Beijing)		
23			遠洋大廈(北京)	Ocean Plaza (Beijing)		
24			遠洋風景(北京)	Ocean Prospect (Beijing)		
25			遠洋未來廣場	Ocean We-life Plaza		
26			遠洋一方(北京)	POETRY OF RIVER (Beijing)		
27			遠洋•新悅(北京)	The Place (Beijing)	遠洋一方東區	Poetry of River Eastern Area
28	Pan-Bohai Rim	Dalian	香頤花城(大連)	Chanson Garden (Dalian)		
29			遠洋•鑽石灣(大連)	Ocean Diamond Bay (Dalian)		
30			遠洋假日養生莊園(大連)	Ocean Holiday Manor (Dalian)	遠洋•拉斐莊園	Ocean Valley Lafite
31			遠洋壹中心(大連)	Ocean MIDTOWN (Dalian)	西山項目	Xishan Project
32			遠洋廣場(大連)	Ocean Plaza (Dalian)		
33			遠洋風景(大連)	Ocean Prospect (Dalian)		
34			遠洋自然(大連)	Ocean Seasons (Dalian)		
35			遠洋時代城(大連)	Ocean TIMES (Dalian)	大學城項目	University Zone
36			紅星海世界觀(大連)	Ocean Worldview (Dalian)		
37			遠洋創智高地(大連)	Sino-Ocean Technopole (Dalian)	IT 產業園 — 工業部分	IT Zone — Industrial
38			遠洋溫德姆至尊豪庭大酒店(大連)	Wyndham Grand Plaza Royale Sino-Ocean (Dalian)		
39			小窩灣項目(大連)	Xiaoyao Bay Project (Dalian)		
40			榮域(大連)	The Place of Glory (Dalian)	中華路3號地(大連)	Zhonghua Road Land Plot #3

LIST OF PROJECT NAMES

	Region	Cities	Project names (Chinese)	Project names (English)	Project names used before (Chinese)	Project names used before (English)
41		Qingdao	遠洋公館(青島)	Ocean Honored Chateau (Qingdao)		
42			遠洋風景(青島)	Ocean Prospect (Qingdao)		
43			遠洋自然(青島)	Ocean Seasons (Qingdao)		
44		Qinhuangdao	遠洋•海世紀(秦皇島)	Ocean Century (Qinhuangdao)		
45			灣海 1 號(秦皇島)	Wan Hai Yi Hao (Qinhuangdao)	灣海一號	Wan Hai Yi Hao
46		Tianjin	遠洋城(天津)	Ocean City (Tianjin)		
47			遠洋新幹線(天津)	Ocean Express (Tianjin)		
48			遠洋•萬和城(天津)	Ocean Great Harmony (Tianjin)	倪黃莊項目	Nihuangzhuang Project
49			遠洋國際中心(天津)	Ocean International Center (Tianjin)		
50			遠洋天地(天津)	Ocean Paradise (Tianjin)	海河新天地	Ocean Paradise
51			遠洋風景(天津)	Ocean Prospect (Tianjin)		
52			遠洋未來廣場	Ocean We-life Plaza		
53			紅熙郡(天津)	Royal River (Tianjin)	武清項目	Wuqing Project
54	Northeastern Region	Changchun	遠洋•夏納小鎮(長春)	Ocean Cannes Town (Changchun)	長春淨月項目	Jingyue Project
55		Fushun	遠洋城(撫順)	Ocean City (Fushun)	將軍溝項目	Jiangjunggou Project
56		Shenyang	遠洋天地(瀋陽)	Ocean Paradise (Shenyang)		
57			遠洋公館(瀋陽)	Ocean Residence (Shenyang)		
58	Yangtze River	Chengdu	睿東中心(成都)	Pinnacle One (Chengdu)	大慈寺項目	Dacisi Project
59	Delta & Along		成都遠洋太古里(成都)	Sino-Ocean Taikoo Li Chengdu (Chengdu)		
60	Yangtze River	Chongqing	遠洋高爾夫國際社區(重慶)	Sino-Ocean International GOLF Resort (Chongqing)	國際高爾夫項目	Golf Club Project
61		Hangzhou	大運河商務區項目(杭州)	Canal Business Center Project (Hangzhou)		
62			遠洋•大河宸章(杭州)	Grand Canal Milestone (Hangzhou)	大河宸章	Hang Yimian
63			遠洋心裡(杭州)	Ocean In Your Heart (Hangzhou)	普福項目	Pufu Project
64			遠洋公館(杭州)	Ocean Mansion (Hangzhou)	遠洋公館	Canal Commercial District
65		Huangshan	遠洋桃花島(黃山)	An Island Paradise (Huangshan)	桃花島項目	Taohuadao Project
66		Shanghai	遠洋•博堡(上海)	BOND CASTLE (Shanghai)		
67			遠洋•香奈印象(上海)	Ocean Chanson Mansion (Shanghai)	楊行鎮項目	Yanghangzhen Project
68			遠洋 7 號(上海)	Ocean Mansion No.7 (Shanghai)		
69		Wuhan	遠洋莊園(武漢)	Ocean Manor (Wuhan)	有座莊園	Tangchen Project
70			遠洋•世界(武漢)	Ocean World (Wuhan)		
71		Zhenjiang	遠洋•香奈河畔(鎮江)	Ocean Beach (Zhenjiang)		
72	Southern Region	Haikou	遠洋華墅(海口)	Ocean Zen House (Haikou)	遠洋浮木陣	Ocean Driftwood Array
73		Sanya	遠洋公館(三亞)	Ocean Mansion (Sanya)	遠洋奧林匹克公館	Ocean Olympics
74			棠棣項目一期(三亞)	Tang Di Project (Sanya)		
75		Shenzhen	遠洋新幹線(深圳)	Ocean Express (Shenzhen)	南聯項目	Nanlian Project
76			盛平項目(深圳)	Shengping Project (Shenzhen)		
77		Zhongshan	東鳳項目(中山)	Dongfeng Project (Zhongshan)		
78			南頭項目(中山)	Nantou Project (Zhongshan)		
79			遠洋城(中山)	Ocean City (Zhongshan)		
80			遠洋啟宸(中山)	Ocean New Era (Zhongshan)	橫欄項目	Henglan Project

