合景泰富地產

KWG Property Holding Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 1813

Build Home with **Heart**

Create Future with **Aspiration**

2013 ANNUAL REPORT

Contents

Corporate Information

Directors

Executive Directors

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

Independent Non-executive Directors

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

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jian Min
Mr. Tsui Kam Tim

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Agent

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

Hong Kong Branch Share Registrar

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

Principal Bankers

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

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

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

* Mr. Dai Feng tendered his resignation as an independent non-executive director of the Company on 28 February 2014. Mr. Dai also ceased to be the Chairman of the remuneration committee and a member of each of the audit committee and the nomination committee on the same date. The position of the Chairman of the remuneration committee was taken up by Mr. Tam Chun Fai on 28 February 2014.

Corporate Profile

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

Over the past 19 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, office buildings, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Nanning and Hainan as its hub for South China, Suzhou, Shanghai and Hangzhou for East China, Chengdu for South-west China, as well as Beijing and Tianjin for the Bohai Rim region.

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

Management Structure of the Group

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

Audit Committee

Remuneration Committee

Nomination Committee

Chief Financial Officer

Vice President — *Human Resources Division*

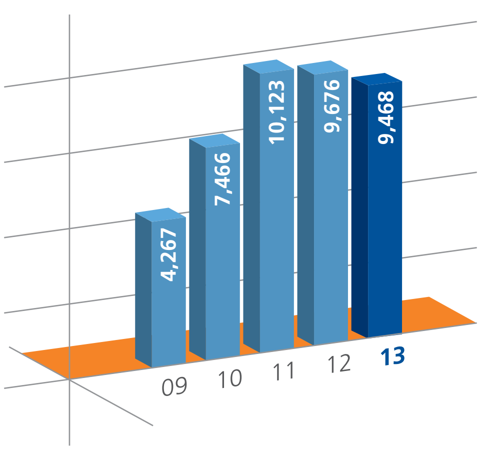
Vice President — *Operations Management Division*

Vice President — *Finance Resources Division*

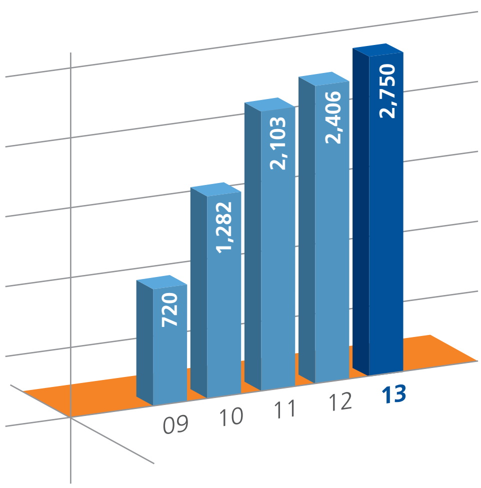
General Manager — *Property Management Division*

Financial Highlights

Revenue
(in RMB Million)



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



	Year Ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS					
Revenue	**9,468,002**	9,676,422	10,122,595	7,465,911	4,266,572
Profit attributable to owners of the Company	**2,749,769**	2,406,368	2,103,368	1,281,772	720,078
Earnings per share attributable to owners of the Company (RMB cents) – Basic and diluted	**95**	83	73	44	26
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**61,590,384**	48,864,460	44,586,303	40,034,332	28,565,186
Total liabilities	**43,748,222**	33,511,081	30,893,285	28,440,060	18,156,863

2013 Major Events

1 JANUARY

28 January: W Hotel Guangzhou organised a "Fashion Gala" (尚映會) to recap the latest fashion trends in Guangzhou. The event was full of innovation ideas, such as the "Discover the Hotel" journey taking place on a work site, as well as the first "W Happenings" event of the hotel. The "Fashion Gala" also featured showcases of the latest collections of world-renowned Chinese fashion designer Uma Wang, interactive graffiti show by Zoe Gnc, and pulsating electronic music presented by popular Hong Kong DJs Angus Wong and Miss Yellow.

2 FEBRUARY

6 February: Annual conference held at the banquet hall of W Hotel Guangzhou to conclude the series of themed activities celebrating the 18th anniversary of the Group.

5 MAY

10 May: KWG Property Chengdu donated RMB2 million to Chengdu Charity Federation in support of post-quake reconstruction at Lushan, Ya'an which was struck by a 7.0 earthquake in 20 April.

16 May: W Hotel Guangzhou organised a premiere to mark its opening, as over 400 local and international guests with acclaims as vanguards in fashion and taste were invited to join the celebration of W Hotel's debut in China. Original performances by popular band artists in the latest international music scene and DJs, bold fashion shows and the finest food and wine all crowded in the latest iconic architecture in Guangzhou to leave every attendee in breathless amazement. Local and international celebrities, industry leaders and famed fashion leaders were invited to the event included movie stars Daniel Wu and Gao Yuanyuan, world-class designers Yohji Yamamoto, Mao Jihong and Stanley Wong (anothermountainman), and a host of renowned interior and architectural designers such as Glenn Pushelberg and Rocco Yim.

6 JUNE

7 June: Annual General Meeting of KWG Property.

22 June: Guangzhou International Dragon Boat Invitational Tournament, a five-star event in the traditional Chinese sporting activity, was once again racing through the waters of Pearl River. As one of the corporate guests of honor, KWG Property was awarded the title of "Special Sponsor of Guangzhou International Dragon Boat Invitational Tournament 2013" in recognition of its strong support for the tournament. This marked KWG Property's first sponsorship during the year for a folk-style tournament.

8 AUGUST

9 August: Global launch of The Core of Center, a world-companies flagship commercial complex jointly developed by three major listed property companies, namely Guangzhou R&F Properties Co., Ltd ("R&F Properties"), Sun Hung Kai Properties Limited and KWG Property, was held at Grand Hyatt Guangzhou Hotel. The development will feature international financial and business office space, city tourism facilities, venues for culture and art, leisure facilities, shopping malls and high-end residences all under one roof.

9 SEPTEMBER

11 September: The prize-giving ceremony of the Annual Best of Asia Pacific Design Awards, presented by International Interior Design Association (IIDA), was held in Chicago. The event was aimed at identifying and giving recognition to innovative, outstanding architectural and interior designs in Asia Pacific. "2013 Best of Asia Pacific Design Awards" were given to 20 enterprises and companies, including W Hotel Guangzhou, which garnered the "2013 Best of Asia Pacific Interior Design Awards."

22 September: KWG Property was awarded again the title of "Top 100 PRC Exemplary Enterprises in Human Resources 2013," which made it one of China's outstanding pole enterprises in human resource management in 2013. The top 100 exemplary enterprises in human resources were nominated for their records of providing adequate career prospects, fostering a trusted, pleasant and family-like work environment, showcasing a high-performance corporate culture and honouring their commitments to customers, peers and fellow citizens.

12 DECEMBER

4 December: British Prime Minister David Cameron hosted the foundation stone laying ceremony for Chengdu Sky Ville, the 1.30 million square metre flagship commercial property at the centre of the Dongda Street financial district, during his visit to Chengdu. Chengdu Sky Ville is a high-end urban complex jointly developed by Hongkong Land China Holdings Limited and KWG Property.

16 December: KWG Property announced the grand opening of the Mulian Urban Resort Hotel, the first boutique hotel of KWG Property that would unveil a proprietary branded hotel chain to offer more choices of hotels for business travelers and patrons in Tianhe.

Honours and Awards

2013 Awards of the Company / Our Projects

THE GROUP

	Issuing Institution	Project / Branch
Top 100 Property Developer in China	China Real Estate Association	KWG Property
Annual Real Estate Oscar – Top 10 Rising Property Brand in the Southern China	Nanfang Daily	KWG Property
Outstanding Contribution to Charity	The People's Government of Guangzhou Municipality	KWG Property
New Age of Real Estate in China – 2013 Outstanding Property Company in China	Nanfang Weekly	KWG Property
2013 Outstanding Property Developer in China	Economic Digest	KWG Property
2013 Top 100 Role Model Enterprise in Human Resources in China	51job.com	KWG Property
CBN China Real Estate – Real Estate Value Report – Top 20 Chinese Company listed in Hong Kong	CBN China Real Estate	KWG Property
Influential Property Brand of the Year in Guangzhou	Xin Kuai Bao	KWG Property
Brand Developer	Sohu	KWG Property

GUANGZHOU

2013 Real Estate Oscar – the Most-Stunning-Lakeview Villa	Nanfang Daily	Sky Ville
2013 Guangzhou Gold Prize for Housing Layout – Recommended Housing Layout for Labor Day Holiday	Southern Metropolis Daily	Sky Ville
2012 Honor Award for Global Interior Design	International Council of Interior Architects and Designers (ICIAD)	Sheraton Guangzhou Huadu Resort
September 2013 Interior Design Award Winner – Regional	International Interior Design Association (IIDA)	W Hotel
2014 First Choice for Home Buyer	Soufun	The Summit

GUANGZHOU (continued)

	Issuing Institution	Project / Branch
2013 Commercial Property with Highest Investment Value	Soufun	Global Metropolitan Plaza
2013 The Best Quality Property	Netease House	The Summit
2013 Favorite Brand	Netease House	KWG Property
2013 Property with Highest Investment Value	Guangzhou Daily	Global Metropolitan Plaza
Enterprise of the Year undertaking Social Responsibility	Southern Metropolis Daily	KWG Property
Rising Commercial Property of the Year	Southern Metropolis Daily	Global Metropolitan Plaza
Property of the Year with Highest Investment Value	Southern Metropolis Daily	The Summit
Good House in China	Xin Kuai Bao	L7
Influential Commercial Project of the Year with Highest Investment Potential in Guangzhou	Xin Kuai Bao	L7
The 2013 Almanac of Property Brands in Guangdong – Annual Best Seller	Information Times	The Summit
The 2013 Almanac of Property Brands in Guangdong – Commercial Project of the Year with Highest Investment Value	Information Times	Global Metropolitan Plaza
Real Estate Oscar	Nanfang Daily	Sky Ville
Starwood Preferred Guest's Most Favorite Hotel & Resort – the Best Boutique Hotel (the second time being voted)		Sheraton Guangzhou Huadu Resort
Best Architecture Designs – The Best Design Hotel in China		W Hotel
Gold Prize for Housing Layout (Extra Large Size) – Recommended Housing Layout for National Day Holiday	Southern Media Group	The Riviera

Honours and Awards

GUANGZHOU (continued)

	Issuing Institution	Project / Branch
Gold Prize for Housing Layout (Medium Size) – Recommended Housing Layout for National Day Holiday	Southern Media Group	L7
Gold Prize for Housing Layout (Villa) – Recommended Housing Layout for National Day Holiday	Southern Media Group	The Summit
Gold Prize for Housing Layout (Villa) – Recommended Housing Layout for National Day Holiday	Southern Media Group	Sky Ville

NANNING

	Issuing Institution	Project / Branch
2013–2014 Most Expectation-worthy Property in Nanning	Soufun	The Core of Center
2013 Gold Nugget Award for Real Estate in Guangxi – 2014 Most Expectation-worthy Property in Nanning	Guangxi Daily Media Group and The Real Estate Association of Nanning City	The Core of Center
2013 Gold Nugget Award for Real Estate in Guangxi – 2013 Award for Promoting Guangxi City	Guangxi Daily Media Group and The Real Estate Association of Nanning City	KWG Property

	Issuing Institution	Project / Branch

SHANGHAI

Annual Grand Apartment Award for Shanghai Real Estate Industry on Internet 2012–2013	Sohu	Amazing Bay
11th Gold Medal for Most Popular Property in Shanghai for Integrated Value	Shanghai Evening Post	Amazing Bay
2013 Valuable Luxury Residential Property of the Year on China Valuable Property List	National Business Daily	Amazing Bay
11th Gold Medal for Most Popular Property in Shanghai for Commercial Property	Shanghai Evening Post	The Core of Center

CHENGDU

Chengdu Real Estate – Livable Chengdu (2013) Quality Boutique Property	Dian Feng Magazine	Chengdu Sky Ville

BEIJING

2013 Most Expectation-worthy Property	163.com	Beijing Apex
2013 Highest Value for Realisation Award	163.com	Fragrant Seasons
The Property with Highest Investment Potential	www.focus.cn	Fragrant Seasons
Regional Landmark Complex	www.focus.cn	Beijing Apex

SUZHOU

2013 Most Expectation-worthy Property	House.sina.com.cn	Suzhou Emerald
2013 Top 10 Most Expectation-worthy Property	House365.com	Suzhou Emerald

Chairman's Statement

Dear Shareholders:

I am pleased to present the annual results of the Group for the year ended 31 December 2013. During the year under review, the Group recorded total revenue of approximately RMB9,468.0 million. Profit attributable to owners of the Company was approximately RMB2,749.8 million, representing an increase of 14.3% from the same period of the previous year. Earnings per share attributable to owners of the Company amounted to RMB95 cents.

1) Continued prudent land policy to acquire premium sites

With the increase in land supply across various regions, the land market heated up in 2013 with more transactions taking place. In connection with public auctions, where competition was very intense, the Group opted for a prudent approach and sought to identify premium sites at the right opportunity.

The Group continued to make further acquisitions in cities and regions where it established a presence, acquiring sites in Da Tan Sha in Guangzhou, Fangshan in Beijing and Cao Hu in Suzhou during the year as we pursued land in tier-one and tier-two cities such as Guangzhou, Beijing and Suzhou. On the other hand, the Group was gradually extending its outreach from the existing cities and regions of its operation, exploring prime sites in tier-two cities in the surrounding regions to increase its land bank. For example, the Group entered into Nanning and Hangzhou for the first time in 2013, acquiring several premium sites at reasonable prices in Wuxiang New District and Hangzhou Science City for future development.

The Group continued with its prudent land policy and refrained from making aggressive bids. The land market was underpinned by enthusiastic bidding during the year, as quality sites were vigorously sought after by developers, punctuated with record breaking prices giving rise to "land king" sites in various regions. Apart from considering the location and usage, the Group also considered carefully the cost and profit of the project to be developed during land acquisition process and refrained from making reckless purchases at excessive prices. During the year, the Group was focusing on the acquisition of small- to medium-sized sites with prestigious locations, lower total land premium while allowing faster turnover and therefore quicker sales and generation of revenue. For example, the Group purchased several sites at Shuanggang in Jinnan, Tianjin and in Hangzhou Science City, which were located at the core of the new districts in these cities. With aggregate gross floor area ("GFA") typically below 100,000 square metres, these sites commanded a lower gross land premium and the Group was able to control cost effectively.

The Group conducted its land acquisitions in several ways. Apart from participating in land auctions, the Group also acquired sites through negotiations with the Government or third parties, to attain maximum profitability by securing sites at lower land premium. For example, the Group entered into an agreement with Fineland Real Estate Holdings Company Limited, a local developer of Guangzhou, to develop The Eden at Da Tan Sha, Guangzhou in joint venture. Meanwhile, given to our brand name, superior product quality and proven ability to develop mixed-use development, the Nanning Municipal Government entered into a long-term agreement with us for the joint development of sites in Wuxiang New District, Nanning.

2) Meeting consumer needs with a flexible and diversified portfolio

The Group seeks to make timely adjustments to its product portfolio by analysing buyers' demand in close tandem with market changes. During the year, the Group's developments comprised primarily small- to medium-sized units, with a special focus on small flats less than 95 square metres, including The Eden in Guangzhou, Suzhou Jade Garden and Shanghai Sapphire, etc. Sales of small-sized units were on the rise as their compact size, cosy designs and reasonable pricing proved very popular with buyers in various regions.

In view of the Government's measures in recent years to rein in control over the property market, the Group continued to keep a certain proportion of commercial properties in its portfolio, in addition to its various residential developments to adopt market changes. During the year, the Group launched serviced apartment products in various regions, such as Chengdu Cosmos, The Vision of the World, Fragrant Seasons and The Sapphire in Suzhou. Office properties were also being launched based on local market conditions, such as Top Plaza (commercial portion of Tian Hui Plaza) and Global Metropolitan Plaza in Pearl River New Town, Guangzhou launched in the second half of the year. The projects were met with good market responses upon debut, thanks to an active market for Grade A offices in Guangzhou.

The Group adjusted the fitout standards of its products based on market response and buyers' affordability and made reasonable adjustments to the proportion between mid-market products and high-end products. The Group launched bare-shell flats at appropriate timing in Shanghai, Suzhou and Chengdu in projects such as Shanghai Sapphire, Suzhou Apex and The Vision of the World in Chengdu, so that more options were made available to first-time buyers. On the other hand, exquisitely decorated high-end products, such as The Riviera situated along the waterfront of Pearl River New Town and the Amazing Bay in Xinjiangwan, Shanghai, were also hugely popular with upgrade buyers and business elites.

3) Gradual implementation of cost standardisation following the establishment of Product Development Centre

To facilitate effective product development and better work efficiency, the Group established the Product Development Centre in late 2012 to conduct the research and implementation of standardisation, which was put to trial implementation in new projects and new batches of existing projects starting 2013.

The Product Development Centre pre-designed a variety of fitout standards according to the different classes of our properties. At the initial stage of project development, a fitout standard appropriate for the project will be selected based on the design scheme, budget and profit margin required for the project. The application of a standardised budget has resulted in significantly faster development and more efficient construction progress in the entire process from land acquisition to sales launch. For example, it took the Group just 8 to 10 months to launch Suzhou Jade Garden and The Eden in Guangzhou after acquiring the respective sites in early 2013.

The gradual implementation and improvement of standardisation is conducive to centralised management of the Group, as clearer records of project cost and expenditure will facilitate better control over the use of materials, reductions in resource consumption, faster turnover and improvements in profit margin.

4) Sound financial policy and comprehensive ERP system supporting corporate development

The healthy development of a real estate company is always contingent upon the availability of ample funds and the back-up by a stable and proper financial system. The Group closely monitors changes in loan interest rates and funding liquidity as well as changes in the international and domestic financial markets, seeking to obtain its funding requirements through a diverse range of channels, such as onshore and offshore bank borrowings and overseas issuances of USD notes, etc, with a view to ensuring stable corporate development.

During 2013, the Group successfully issued a USD senior notes at a lower coupon rate to provide additional funding required by the Company's development projects at lower costs.

The Group also upgraded its Mysoft EPR system during the year to improve electronic management of the cost system and facilitate timely cost control.

5) Outlook

In 2014, the Group plans to launch a number of brand new projects, such as Beijing Apex, La Villa, Vision of the World in Shanghai (formerly called Shanghai Fengxian Nanqiao), Top of World (formerly called Guangzhou Knowledge City), Hangzhou Science City I, The Core of Center in Nanning (formerly called Wuxiang New District Project) and Beijing Haidian project, etc. Among those cities, Hangzhou and Nanning will represent new additions to our geographic footprint. The new projects, including residential developments or mixed-use development located at the centre of cities' new districts as well as integrated projects in well-developed areas in our existing cities of operation supported by convenient transportation and full-fledged ancillary facilities, are expected to generate satisfactory sales for the Group. For example, Beijing Apex and La Villa, located in Fangshan District, Beijing and scheduled for sales in 2014, are situated between the 5th Ring Road and the 6th Ring Road of Beijing next to Libafang Station of the Metro Line, providing easy access to transportation for their residents. Hangzhou Science City I, located in the future science city in Yuhang District, will also be launched in 2014. Strategically located along the Metro Line with the main driveway nearby while embracing a strong presence of commercial activities in the neighbourhood, the project is expected to generate good pre-sales for the Group.

The Group will also launch the latter phases of 24 projects currently on sale to drive further growth in Group pre-sales. These will include The Eden and The Summit in Guangzhou, Suzhou Emerald and Fragrant Seasons in Beijing, of which new phases and batches will be launched in 2014 to meet market demands.

The Group also expects to continue its efforts in cost and financial system upgrade and conversion, standardisation at further levels and centralised procurement, so that the Group's resource allocation will be optimised.

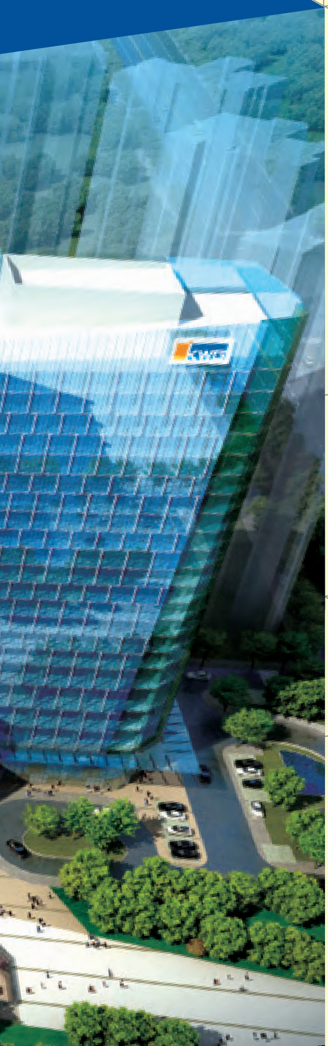
6) Appreciation

Looking at 2013 in review, the Group has made solid progress amid market recovery in a gradual manner. On behalf of the Company, I would like to thank all shareholders and investors for their unfailing support of and trust in the Group. I would also like to thank all those who have rendered assistance to the Group. The Group will always face the challenges and opportunities ahead with a clear mind and uncompromised confidence, venturing on with steadfast resolve to fulfill its goal. I must also thank our employees for their hard work and concerted efforts. The growth and prospering of the Group could not have been possible without the dedication of our people in mind and labour. I appreciate the devotion and persistence they have demonstrated in the course of the Group's development and the contributions they have made to the Group's expansion and growth. Going forward, I firmly believe the Group will remain committed to the building of a better living environment, strengthening its brand and reputation with the introduction of new products featuring exquisite designs and premium quality.

Kong Jian Min
Chairman

17 March 2014

Management Discussion And Analysis



KWG
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Management Discussion And Analysis

Financial Review

Revenue

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

The revenue amounted to approximately RMB9,468.0 million in 2013, representing a slight decrease of 2.2% from approximately RMB9,676.4 million in 2012.

In 2013, the revenue generated from property development, property investment, hotel operation and property management services were approximately RMB8,976.9 million, RMB144.7 million, RMB203.1 million and RMB143.3 million, respectively.

Property development

Revenue generated from property development slightly decreased by 3.8% to approximately RMB8,976.9 million in 2013 from approximately RMB9,330.2 million in 2012, primarily due to a decrease in the recognised average selling price ("ASP") to RMB9,582 per sq.m. from RMB11,716 per sq.m. in 2012.

The decrease in the recognised ASP was principally attributable to the relatively lower recognised selling price recorded in the delivery of certain properties to the ex-owner of The Summit in Guangzhou in exchange for the equity interest in Guangzhou Lihe Property Development Limited ("Guangzhou Lihe"), and also attributable to the increase in the delivery of mid-end properties in 2013. The effect of decrease in recognised ASP is offset by an increase in the total GFA delivered to 936,869 sq.m. in 2013 from 796,370 sq.m. in 2012.

Property investment

Revenue generated from the property investment slightly increased by 1.0% to approximately RMB144.7 million in 2013 from approximately RMB143.3 million in 2012.

Hotel operation

Revenue generated from hotel operation increased by 142.1% to approximately RMB203.1 million in 2013 from approximately RMB83.9 million in 2012, primarily attributable to our W Hotel commenced its launch in May 2013.

Provision of property management services

Revenue generated from the provision of property management services increased by 20.4% to approximately RMB143.3 million in 2013 from approximately RMB119.0 million in 2012, primarily attributable to an increase in the number of properties under management.

Cost of sales

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

Cost of sales slightly decreased by 1.7% to approximately RMB6,036.0 million in 2013 from approximately RMB6,140.6 million in 2012.

Land cost per sq.m. decreased from RMB2,337 in 2012 to RMB1,907 in 2013, principally due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe to the ex-owner of The Summit in Guangzhou with relatively lower land costs, and also due to the increase in the delivery of mid-end properties in 2013 with relatively lower land costs.

Construction cost per sq.m. decreased from RMB4,660 in 2012 to RMB3,875 in 2013, principally due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe to the ex-owner of The Summit in Guangzhou with relatively lower construction costs, and also due to the increase in the delivery of mid-end properties in 2013 with relatively lower construction costs.

Gross profit

Gross profit of the Group slightly decreased by 2.9% to approximately RMB3,432.0 million in 2013 from approximately RMB3,535.9 million in 2012. The Group reported a gross profit margin of 36.2% for 2013 as compared with 36.5% for 2012.

Other income and gains, net

Other income and gains slightly increased by 2.2% to approximately RMB75.3 million in 2013 from approximately RMB73.7 million in 2012, mainly comprising interest income of approximately RMB42.8 million.

Selling and marketing expenses

Selling and marketing expenses of the Group slightly increased by 4.0% to approximately RMB261.1 million in 2013 from approximately RMB251.0 million in 2012.

Administrative expenses

Administrative expenses of the Group increased by 17.2% to approximately RMB753.0 million in 2013 from approximately RMB642.6 million in 2012, primarily attributable to increased headcounts to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees. The launch of our W Hotel in 2013 as discussed earlier also contributed to the increment in 2013.

Other operating expenses, net

Other operating expenses of the Group was approximately RMB0.9 million in 2013 (2012: approximately RMB1.3 million), mainly comprising operating costs of facilities at our residential development such as clubhouses and dining facilities.

Fair value gains on investment properties, net

The Group reported net fair value gains on investment properties of approximately RMB541.5 million for 2013 (2012: approximately RMB643.2 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including International Finance Place ("IFP"), The Vision of the World, Biological Island II and Global Metropolitan Plaza, were approximately RMB500.5 million for 2013.

Finance costs

Finance costs of the Group being approximately RMB214.3 million in 2013 (2012: approximately RMB70.4 million), related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income tax expenses

Income tax expenses decreased by 28.4% to approximately RMB954.6 million in 2013 from approximately RMB1,333.0 million in 2012, primarily due to a decrease in the provision for LAT on the properties delivered in 2013.

Profit for the year

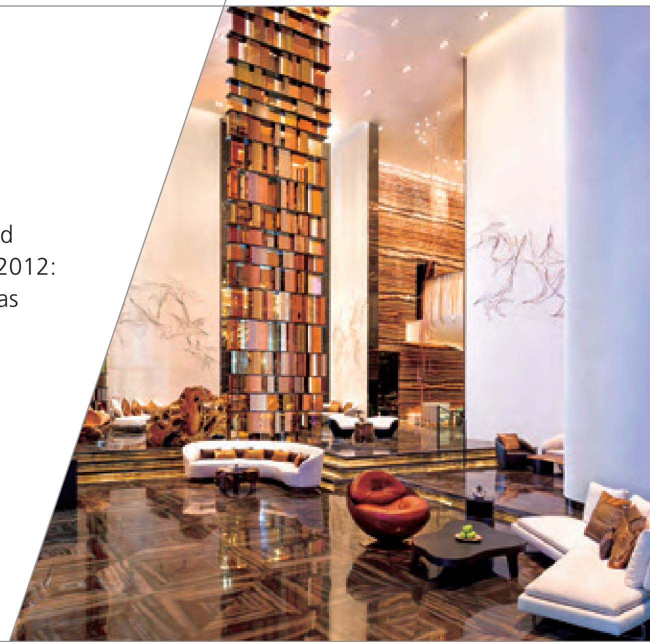
The Group reported profit for the year of approximately RMB2,749.3 million for 2013 (2012: approximately RMB2,433.0 million). Net profit margin increased to 29.0% for 2013 from 25.1% for 2012, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2013, the carrying amounts of the Group's cash and bank balances were approximately RMB10,858.7 million (31 December 2012: approximately RMB6,444.4 million), representing an increase of 68.5% as compared to that as at 31 December 2012.

Pursuant to relevant regulations in the People's Republic of China (the "PRC"), certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2013, the carrying amount of the restricted cash was approximately RMB1,444.2 million (31 December 2012: approximately RMB1,517.2 million).



Borrowings and charges on the Group's assets

As at 31 December 2013, the Group's bank and other loans and senior notes were approximately RMB13,090.5 million and RMB7,814.9 million respectively. Amongst the loans, approximately RMB3,065.0 million will be repayable within 1 year, approximately RMB7,502.4 million will be repayable between 2 and 5 years and approximately RMB2,523.1 million will be repayable over 5 years. Amongst the senior notes, approximately RMB6,010.8 million will be repayable between 2 and 5 years and approximately RMB1,804.1 million will be repayable over 5 years.

As at 31 December 2013, the Group's bank and other loans of approximately RMB12,090.5 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB14,929.4 million and properties under development of a joint venture with total carrying value of approximately RMB457.6 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK$922.4 million and US$14.7 million as at 31 December

2013 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB1,750.0 million which were charged at fixed interest rates as at 31 December 2013. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2013.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2013, the gearing ratio was 56.3% (31 December 2012: 63.5%).

Risk of exchange rate fluctuation

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

During 2013, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2013, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB4,846.4 million (31 December 2012: approximately RMB4,578.4 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

    The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2013 and 2012 for the guarantees.

(ii) As at 31 December 2013 and 2012, the Group had provided guarantees in respect of certain bank loans for joint ventures.

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

(iv) As at 31 December 2012 , the Group had provided a guarantee in respect of a bank loan of RMB700.0 million for the ex-owner of The Summit in Guangzhou, PRC.

Employees and Emolument Policies

As at 31 December 2013, the Group employed a total of approximately 4,700 employees. The total staff costs incurred was approximately RMB451.1 million during the financial year ended 31 December 2013. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the

PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the year ended 31 December 2013, total of 1,238,000 share options were cancelled and no share options were granted, exercised or lapsed as at the date of approval of this results announcement. Details of share options movement for the year ended 31 December 2013 will be stated in the coming annual report.

Market Review

China property market has witnessed a year of strong growth both in terms of transaction volume and ASP in 2013. According to the report of National Bureau of Statistics as at 31 December 2013, sales of commodity properties for the year increased by 16.3% and 17.3% in terms of value and GFA, respectively, as compared to the previous year. To curb growing property prices, the government announced "New Five Measures of the State Council" in March, including a 20% individual income tax to restrain speculative trading in the secondary market. In October and November, a number of cities have introduced detailed austerity measures, including regulations requiring a higher percentage of down payment to be paid for second homes. Such austerity measures were aimed to curb investment activities in the property space. Transactions in primary market remained strong and purchases by end-users increased.

Business Review

During the first half of 2013, the Group was focused on solidifying its business in cities where it had already established presence, launching new batches or blocks in existing projects such as Chengdu Sky Ville, Fragrant Seasons in Beijing, Amazing Bay in Shanghai and Suzhou Emerald. During the second half of the year, the Group responded to market changes and made timely adjustments to launch brand new projects such as Top Plaza (commercial portion of Tian Hui Plaza) in Guangzhou, The Eden in Guangzhou, Suzhou Jade Garden, Moon Bay Project in Hainan, Leader Plaza in Suzhou and Global Metropolitan Plaza in Guangzhou, featuring a diverse range of product types including exquisitely fitted residential units, serviced apartments, villas and Grade A+ offices. As at 31 December 2013, the Group reported attributable pre-sales amount of approximately RMB16,300.0 million, representing sales contribution from a total of 24 projects.

The Product Development Centre established in 2012 was officially commissioned in 2013. The Group acquired The Eden at Da Tan Sha, Guangzhou and Suzhou Jade Garden at Cao Hu, Suzhou in January and March, respectively. At the initial stage of project development, budget and fitout schemes appropriate for the projects were selected based on cost and profit estimates and design intentions. The two projects were officially launched in October. The implementation of cost standardisation has resulted in significantly faster project development from land acquisition through pre-sale, which took just about 8 to 10 months.

The Group sought to meet the needs of consumers by introducing different types of products at appropriate times in response to market changes. The Group continued to promote The Summit in Guangzhou during the year, offering a diverse range of products such as fitted residential units with GFA of 88–210 sq.m., small serviced apartments with GFA of 45 sq.m. or below, as well as villas with GFA of 160–250 sq.m. Because of their desirable location, befitting layouts and competitive prices, these new batches or blocks were met with sound responses at their launch. During the year, we continued to market exquisitely fitted flats in Chengdu Cosmos with GFA of 180–360 sq.m. To meet the increasing demand from end-users in Chengdu, fitted serviced apartments in Chengdu Cosmos with GFA of 37–123 sq.m. were also launched towards the end of the year, with the smaller units being increasingly popular.

While actively identifying appropriate sites to replenish its land bank, the Group was always mindful of following a prudent land policy. In addition to bidding in auctions, the Group also endeavoured to cooperate with the government or third-party developers, so as to reduce land costs. During the year, the Group acquired 13 sites, located variously in Guangzhou, Beijing, Suzhou, Nanning, Tianjin and Hangzhou, at reasonable prices to manage overall land acquisition costs. The Group entered into a joint-venture agreement with Shimao Properties to develop two sites in Fangshan of Beijing in the beginning of the year. The acquisition of several adjacent sites in Hangzhou Science City and Tianjin Shuanggang in the open market has also generated synergies conducive to resource consolidation. As at 31 December 2013, the Group held a land bank with an aggregate GFA of approximately 10.0 million sq.m.

While enhancing management of construction and cost control, the Group also sought to maintain a stable financial system with sufficient capital to meet development needs. In early 2013, the Group replenished its working capital in a timely manner to lower financial costs by issuing a US$300 million senior notes with a 7-year term at a lower coupon rate. The Group and its partner borrowed development loans for Jinnan New Town in Tianjin from offshore banks at reasonable interest rates in May and October 2013, with amounts of RMB1 billion and HK$2.7 billion, respectively. During the year, the Group also borrowed RMB loans with lower interest rates from onshore banks and applied such funds to repay certain bank borrowings incurred at higher costs during the previous years. We secured ample liquidity by tapping a variety of financing means.

Investment Properties and Hotels

For the year ended 31 December 2013, turnover of the Group from its investments in office premises and leasing of retail properties amounted to approximately RMB144.7 million (2012: approximately RMB143.3 million).

1) *Hotels*

Our W Hotel, located along the main road of Pearl River New Town, Guangzhou, officially commenced operation in May 2013 as the first W Hotel in Mainland China. W Hotel is a high-end luxury label under the Starwood Hotels & Resorts Worldwide, Inc. The reputation of W hotel has been greatly enhanced following the launch of various promotional campaigns in connection with room reservation, Chinese and Western dining, leisure activities and entertainment, according to different seasons and festivities. After nearly 7 months in operation, W Hotel has won wide recognition among consumers for its unique and novel design, tailor-made premium services, relaxing environment and fine cuisines.

With contributions from W Hotel, Four Points by Sheraton Guangzhou, Dongpu (opened since 2009) and Sheraton Guangzhou Huadu Resort (opened since 2011), the Group's hotel business is growing profitably.

2) *Investment properties completed and available for lease*

IFP is one of our major investment properties with a prestigious location at the heart of Pearl River New Town. Since its opening in 2007, IFP has been very popular with banks and Guangzhou headquarters of multinational corporations, which have been attracted by its top-notch property management and services, premium office environment and convenient transportation. As at 31 December 2013, the occupancy rate of IFP stood at 99%. Leading tenants included a host of domestic and international banks such as Mizuho Bank, Bank of China, and Industrial and Commercial Bank of China, the Italian Consulate and Guangzhou offices of multinational corporations, such as Oracle Guangzhou Branch.

Business Outlook

In 2014, the Group will launch brand new projects in various cities, such as Beijing Apex and La Villa in Beijing, Top of World (formerly called Guangzhou Knowledge City), Vision of the World in Shanghai (formerly called Shanghai Fengxian Nanqiao), Hangzhou Science City I and The Core of Center in Nanning (formerly called Wuxiang New District Project). Meanwhile, the latter phases of existing projects will also be launched to offer residential units, serviced apartments and offices.

The Group will also endeavour to improve its cost control and financial systems, optimise its internal resources, upgrade the management standards of its hotel and investment properties and enhance operating efficiency in general.

Overview of the Group's Property Development

As at 31 December 2013, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning and Hangzhou.

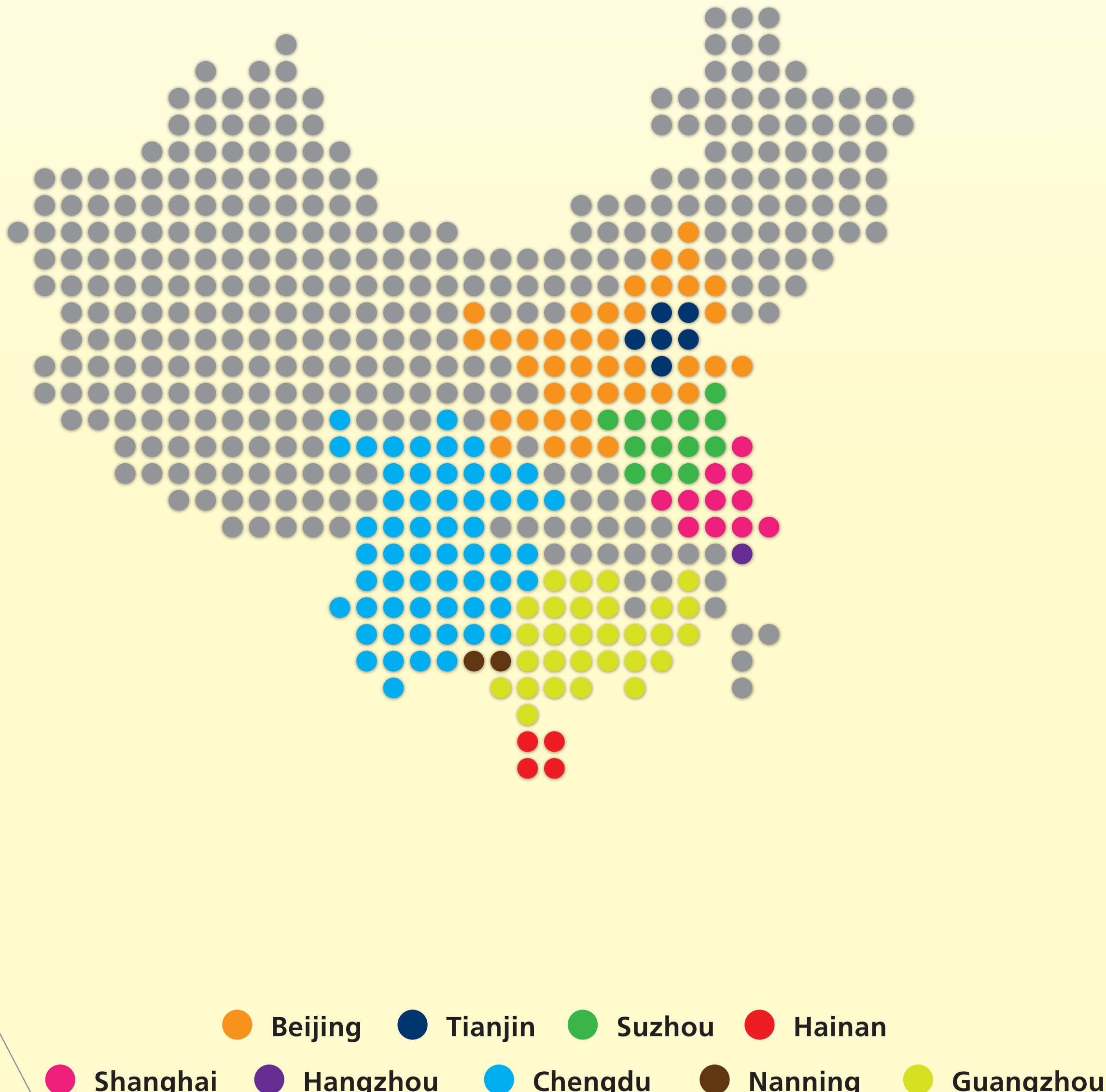
No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1.	The Summit	Guangzhou	Residential / villas / serviced apartments / office / retail	2,163	100
2.	L7	Guangzhou	Serviced apartments / retail	17	100
3.	Global Metropolitan Plaza (formerly called J2-2 Project)	Guangzhou	Office / retail	73	50
4.	Tian Hui Plaza (included The Riviera and Top Plaza)	Guangzhou	Serviced apartments / office / hotel / retail	113	33.3
5.	Oriental Bund (formerly called Foshan Project)	Guangzhou	Residential / retail / serviced apartments / office / hotel	560	20
6.	The Regent (formerly called Biological Island I)	Guangzhou	Serviced apartments / retail	115	100
7.	Biological Island II	Guangzhou	Office / retail	84	100
8.	Top of World (formerly called Guangzhou Knowledge City)	Guangzhou	Villas / serviced apartments / office / retail / hotel	645	100
9.	The Eden (formerly called Guangzhou Da Tan Sha)	Guangzhou	Residential / retail	138	50
10.	Zengcheng Gua Lv Lake	Guangzhou	Villas / hotel	43	100
11.	Guangzhou Ta Gang Project	Guangzhou	Residential / villas / retail	344	100
12.	IFP	Guangzhou	Office / retail	61	100
13.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100

Management Discussion And Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
14.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
15.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartments	80	100
16.	The Sapphire	Suzhou	Residential / hotel / serviced apartments / retail	228	100
17.	Suzhou Apex	Suzhou	Residential / hotel / serviced apartments / retail	238	90
18.	Suzhou Emerald	Suzhou	Residential / retail	160	100
19.	Leader Plaza (formerly called Suzhou Industrial Park)	Suzhou	Serviced apartments / office / retail	37	51
20.	Suzhou CRH New City	Suzhou	Office / retail	60	100
21.	Suzhou Jade Garden (formerly called Suzhou Cao Hu Project)	Suzhou	Residential / retail	85	100
22.	The Vision of the World	Chengdu	Residential / serviced apartments / retail	55	100
23.	Chengdu Cosmos	Chengdu	Residential / office / serviced apartments / retail / hotel	606	100
24.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartments / retail / hotel	450	50
25.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments / retail	170	100
26.	La Villa (formerly called Beijing Fangshan I)	Beijing	Residential / retail	100	50
27.	Beijing Apex (formerly called Beijing Fangshan II)	Beijing	Residential / villas / office / retail	105	50
28.	Chong Wen Men	Beijing	Retail	16	100
29.	Beijing Haidian Project	Beijing	Residential / villas	27	100
30.	Pearl Coast	Hainan	Villas / residential / hotel	264	100
31.	Moon Bay Project	Hainan	Villas / residential / retail / hotel	479	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
32.	Pudong Project	Shanghai	Office / retail	78	100
33.	The Core of Center	Shanghai	Residential / serviced apartments / retail / office	52	50
34.	Shanghai Apex	Shanghai	Residential / serviced apartments / retail / hotel / office	83	100
35.	Shanghai Sapphire	Shanghai	Serviced apartments / hotel / retail	115	100
36.	Shanghai Emerald	Shanghai	Residential / retail	85	100
37.	Amazing Bay	Shanghai	Residential / office / retail / serviced apartments / hotel	118	50
38.	Vision of the World (formerly called Shanghai Fengxian Nanqiao)	Shanghai	Residential / serviced apartments / retail	236	100
39.	Jinnan New Town	Tianjin	Residential / villas / retail	714	25
40.	Tianjin Shuanggang Project I	Tianjin	Residential / retail	55	100
41.	Tianjin Shuanggang Project II	Tianjin	Residential / villas / retail	32	100
42.	The Core of Center (formerly called Wuxiang New District Project)	Nanning	Residential / office / retail	589	87
43.	Guangxi International Finance Place	Nanning	Office	62	87
44.	Hangzhou Science City I	Hangzhou	Residential	47	100
45.	Hangzhou Science City II	Hangzhou	Residential / villas	58	100

China Map


Beijing
Tianjin
Suzhou
Hainan
Shanghai
Hangzhou
Chengdu
Nanning
Guangzhou

Directors and Senior Management's Profile

Director

Executive Directors

Kong Jian Min, aged 46, is the founder of the Group and an executive director and the Chairman of the Company. Mr. Kong is also a member of the remuneration committee and the Chairman of the nomination committee of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. Mr. Kong has over 19 years of experience in property development and investment. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Island (the "BVI"), various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Tao, aged 43, is an executive director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 19 years of experience in property development and has been a director of the Group since 1995. Mr. Kong is a brother of Kong Jian Min and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the BVI, various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Nan, aged 48, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Mr. Kong is a brother of Kong Jian Min and Kong Jian Tao. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the BVI and various subsidiaries incorporated in the PRC and three subsidiaries incorporated in Hong Kong.

Li Jian Ming, aged 46, is an executive director of the Company, a vice president of the operations management division and a general manager of the Southern China region of the Group. Mr. Li graduated from South China University of Technology, majoring in industrial and civil construction. Mr. Li joined the Group in 1995 and had held the position of vice president in the engineering management division. He was appointed as an executive director of the Company in June 2007. Currently, Mr. Li is responsible for the internal and regional engineering management, tenders, headquarter procurement and product standardisation of the Group. Save as disclosed above, Mr. Li is also a director of one of the subsidiaries incorporated in the PRC.

Tsui Kam Tim, aged 45, is an executive director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax, risk management including internal control and other finance-related matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in commerce and he is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the Chief Financial Officer and was appointed as an executive director of the Company in November 2007. Saved as disclosed above, Mr. Tsui is also a director of various subsidiaries incorporated in Hong Kong.

He Wei Zhi, aged 46, is an executive director of the Company, a vice president and a general manager of the South-western China region of the Group. Mr. He graduated from Guangzhou University majoring in hotel management. He joined the Group in 1995 and had held the positions of manager and deputy general manager of the sales department. Since his joining of the Group, he has been responsible for project planning, design and sales planning work and the overall operations and management of the South-western China region of the Group, gaining extensive experience in property market. Mr. He was appointed as an executive director of the Company in February 2009 and is mainly responsible for the management of sales planning, product development, design and planning, property management, customer services, strategy, brand and land bank of the Group. Saved as disclosed above, Mr. He is also a director of various subsidiaries incorporated in the PRC.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo, aged 53, is an independent non-executive director and a member of the audit committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in laws and the postgraduate certificate in laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd and Esprit Holdings Limited; and a non-executive director of Y.T. Realty Group Limited, CSPC Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited, Termbray Industries International (Holdings) Limited and Yugang International Limited, all of which are listed on the Stock Exchange. Mr. Lee is the Chairman of the listing committee of the Stock Exchange. He is also a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, a member of the SFC (HKEC Listing) Committee, a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

Tam Chun Fai, aged 51, is an independent non-executive director, the Chairman of the audit committee, the Chairman of the remuneration committee (since 28 February 2014) and a member of the nomination committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of Chartered Financial Analyst. Mr. Tam has over 28 years of experience in auditing and corporate advisory services as well as financial management and compliance work. He is an executive director, the Chief Financial Officer and the Company Secretary of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and is an independent non-executive director of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange.

Li Bin Hai, aged 64, is an independent non-executive director, a member of each of the remuneration committee, the nomination committee and the audit committee of the Company. He was the former Chairman of Poly Real Estate Group Co., Ltd. ("Poly Real Estate", together with its subsidiaries, the "Poly Real Estate Group"), a company listed on the Shanghai Stock Exchange and retired on 31 May 2010 after 18 years at the helm of Poly Real Estate. Before his retirement, he held various positions within the Poly Real Estate Group, including the general manager of Guangzhou Poly Real Estate Development Corporation, director and deputy general manager of Poly Southern Group Co., Ltd. and chief economist of China Poly Group Corporation.

Senior Management

Luo Xiao Yun, aged 46, is the director of the legal affairs division of the Group and assistant to the Group's Chairman. Ms. Luo joined the Group in November 2009 and is responsible for the overall operations and management of legal affairs. Ms. Luo graduated from Zhongshan University with a bachelor's degree in laws and subsequently was admitted to practise in the PRC as a qualified solicitor. Ms. Luo is a practising solicitor with extensive working experience in financial investment, corporate law and civil and commercial law. Prior to joining the Group, Ms. Luo began her legal career at the Foreign Economic and Trade Cooperation Committee and was a solicitor in other law firms.

Lin Kai Ping, aged 40, is the general manager of property management division of the Group. Ms. Lin joined the Group in April 2004 and was the general manager of Guangzhou Ningjun Property Management Limited. She is now mainly responsible for the Group's property management in China. Ms. Lin graduated from the University of International Business and Economics majoring in administration management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 21 years of extensive working experiences in property management.

Luo Qing, aged 49, is the general manager of the Northern China district of the Group. Mr. Luo graduated from South China University of Technology with a bachelor's degree in architectural engineering and is a registered supervision engineer, possessing extensive experience in project management. Mr. Luo joined the Group in 2001 and was the general manager of the Chengdu office of the Group. He is now mainly responsible for the management and operation of the Northern China district of the Group. Before joining the Group, Mr. Luo was a general manager of a construction supervision company.

Chen Wen De, aged 36, is the general manager of the Eastern China district of the Group. Mr. Chen joined the Group in March 1997 and was project manager, supervisor and the general manager of the Suzhou office. Mr. Chen is mainly responsible for the overall management and operation of the Eastern China district of the Group.

Li Ning, aged 49, is the director of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered architect and senior architecture design engineer. Mr. Li graduated from Murdoch University with a master of business administration. Mr. Li has 25 years of experience in designing large-scaled integrated architecture and operational management.

Chen Guang Chuan, aged 45, is the vice president of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in business administration. Mr. Chen joined the Group in October 2009 and was the general manager of the Hainan office of the Group. He is now mainly responsible for the management of land reserves in China as well as financing management of the Group. Before joining the Group, Mr. Chen was a general manager of a real estate company.

Corporate Governance Report

Compliance with the Corporate Governance Code

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

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

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

Board of Directors

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

As at 31 December 2013, the Board consists of ten members, including six executive directors, Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao (Chief Executive Officer), Mr. Kong Jian Nan, Mr. Li Jian Ming, Mr. Tsui Kam Tim and Mr. He Wei Zhi and four independent non-executive directors, Mr. Lee Ka Sze, Carmelo, JP, Mr. Dai Feng, Mr. Tam Chun Fai and Mr. Li Bin Hai. Mr. Yu Yao Sheng resigned as an executive director of the Company on 30 April 2013. On 28 February 2014, Mr. Dai Feng resigned as an independent non-executive director of the Company so that the Board consists of nine members, including six executive directors and three independent non-executive directors. Biographical details of the directors are set out on pages 30 to 31. Messrs. Kong Jian Min, Kong Jian Tao and Kong Jian Nan are brothers. Save as disclosed above, there is no family or other material relationship among members of the Board.

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

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

Corporate Governance Report

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

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

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

During the year of 2013, the Board held four meetings and had five written resolutions. At these Board meetings and through the written resolutions, directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance, the interim result and the annual result. It also reviewed and approved the issuance of proposed issue of US$ denominated subordinated perpetual capital securities, change of principal share registrar and transfer agent in the Cayman Islands, the issuance of US$300 million 8.625% senior notes due 2020, the resignation of Mr. Yu Yao Sheng as an executive director of the Company and the adjustment of directors' fee of the executive directors. Monthly updates, were provided by the management to the Board members, gave a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable them to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. In addition to Board meetings, the Chairman holds one meeting with independent non-executive directors annually without the presence of executive directors.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2012 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. The audit committee has reviewed with management and external auditors the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2012 and the condensed consolidated interim financial information of the Company for the period ended 30 June 2013. It also, through the audit committee, has reviewed and monitored the Company's policies and practices on corporate governance and the relevant legal and regulatory requirements and their compliances.

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

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

Attendances of the individual directors at the Board meetings and the 2012 AGM are set out as follows:

Directors	Board Meetings Attended/ Number of meeting held	Written Resolutions	2012 AGM Attended/ Number of meeting held
Executive Directors			
Kong Jian Min *(Chairman)*	4/4	5/5	1/1
Kong Jian Tao *(Chief Executive Officer)*	4/4	5/5	0/0
Kong Jian Nan	4/4	5/5	0/0
Li Jian Ming	4/4	5/5	0/0
Tsui Kam Tim	4/4	5/5	1/1
He Wei Zhi	4/4	5/5	0/0
Yu Yao Sheng *	1/1	4/4	0/0
Independent Non-Executive Directors			
Lee Ka Sze, Carmelo	4/4	5/5	1/1
Dai Feng	3/4	5/5	1/1
Li Bin Hai	4/4	5/5	1/1
Tam Chun Fai	4/4	5/5	1/1

* Mr. Yu Yao Sheng resigned as an executive director of the Company on 30 April 2013.

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

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

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

During the year ended 31 December 2013, the Company has organised a training session on the topic of connected transaction for all the directors of the Company to attend. The Company Secretary maintains records of training attended by the directors and Mr. Tsui Kam Tim, the Company Secretary of the Company, during the year of 2013, has undertaken 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Chairman and Chief Executive Officer

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

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

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

Annual Remuneration Payable to the Members of Senior Management

The annual remuneration of the members of the senior management by band for the year ended 31 December 2013 is as follows:

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

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code for the financial year ended 31 December 2013.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2013 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

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

Board Committees

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

Audit Committee and Accountability

In compliance with Rule 3.21 of the Listing Rules, an audit committee was established on 11 June 2006 with written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at 31 December 2013, the audit committee comprises four members who are independent non-executive directors, namely Mr. Tam Chun Fai (the Chairman), Mr. Lee Ka Sze, Carmelo, JP, Mr. Dai Feng and Mr. Li Bin Hai. Mr. Dai Feng resigned as a member of the audit committee of the Company on 28 February 2014. The audit committee reports to the Board and is delegated by the Board to assess matters related to the financial statements. Under its terms of reference, the audit committee is required to perform and make recommendation to the Board, amongst the others, the following duties:

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

The audit committee held two meetings and all minutes were kept by the Company Secretary. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statement for the year ended 31 December 2012 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2013. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the corporate governance code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2013 is set out as follows:

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

For the year ended 31 December 2013, the external auditors' remuneration in respect of audit services provided to the Group amounted to RMB4,200,000 and fees for non-audit services amounted to an aggregate amount of approximately RMB1,250,000 (equivalent), being the service charge for the review of financial information. Non-audit services mainly consisted of advisory, review and other reporting services.

Remuneration Committee

The remuneration committee was established with written terms of reference in accordance with the code provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of individual executive directors, non-executive directors and members of senior management to the Board. The remuneration committee consists four members as at 31 December 2013, of which one executive director being Mr. Kong Jian Min and three are independent non-executive directors being Mr. Tam Chun Fai, Mr. Dai Feng (the Chairman of the remuneration committee) and Mr. Li Bin Hai. Mr. Dai Feng resigned as the Chairman of the remuneration committee of the Company on 28 February 2014. The position of the Chairman of the remuneration committee was taken up by Mr. Tam Chun Fai with effect from the same date. The Board expects the remuneration committee to exercise independent judgment and ensures that executive directors do not participate in the determination of their own remuneration.

One remuneration committee meeting was held on 20 March 2013 and a written resolution of the remuneration committee was passed on 31 December 2013. It has reviewed and formulated policies in respect of remuneration structure of all directors and senior management of the Company, reviewed the remuneration packages of individual executive directors, non-executive directors and senior management and made recommendations to the Board for its consideration and reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives.

Attendance of individual members of the remuneration committee at meetings for the year ended 31 December 2013 is set out as follows:

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

Nomination Committee

The nomination committee was established on 11 June 2007. The nomination committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendation to the Board on selection of candidates for directorships. As at 31 December 2013, the nomination committee comprises an executive director, namely Mr. Kong Jian Min, and three independent non-executive directors, namely Mr. Tam Chun Fai, Mr. Dai Feng and Mr. Li Bin Hai. Mr. Dai Feng resigned as a member of the nomination committee of the Company on 28 February 2014.

One nomination committee meeting was held on 20 March 2013 and a written resolution of the nomination committee was passed on 14 June 2013. It has reviewed the structure, size and composition (including skills, knowledge and experience) of the Board; has assessed the independence of independent non-executive directors and the retired directors for re-election; and has reviewed whether every director gives sufficient time and attention to the company's affairs. The aforesaid review and assessment were recommended to the Board. The adoption of Board diversity policy was reviewed and approved by way of resolution. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, length of service, or professional experience. Other than the above factors, the Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Attendance of individual members of the nomination committee at meetings for the year ended 31 December 2013 is set out as follows:

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

Internal Control

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

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

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2012. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the audit committee. The Board believes that the existing internal control system is adequate and effective.

Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its shareholders and values every opportunity to communicate with them. The Company has adopted a policy of disclosing clear and relevant information to shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all shareholders by post as requested. The Company has also complied with provisions of the Listing Rules by posting announcements, notices, annual reports, interim reports and shareholders' circulars on the websites of the Stock Exchange and the Company (http://en.kwgproperty.com/En/IR.asp?ItemCode=007001) for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

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

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

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

Shareholders' rights

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

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("EGM Requisitionists") shall at all times have the right, by written requisition sent to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

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

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

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

Procedures for putting forward proposals at general meeting

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notices(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Procedures for directing shareholders' enquiries to the Board

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

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

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

Significant changes in the Company's constitutional documents

During the year ended 31 December 2013, there is no any significant change in the constitutional documents of the Company.

Corporate Social Responsibility Report

Quality of the Working Conditions

The Working Conditions

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

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

Development and Training

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

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

1. ***Management Trainee Programme***

   The programme was designed for management trainees in four categories: engineering, legal affairs, mathematics & science and design and implemented in three stages as follows:

Centralised Training:

From April to June 2013, the training was primarily on the history, culture and systems of the Company, with detailed introductions of various business departments, so that the trainees will get to understand the basic operations of the Company as soon as practicable. The training also included office skills such as the use of the Intranet, as well as specific skills for the property business and general business aptitude, such as business etiquette, time management, career planning and communication skills, etc, in line with the Group's emphasis on training in knowledge of the property business and other general skills.

On-the-Job Training:

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

Evaluation and Appraisal:

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

2. Leadership Training Camp for Intermediary and Senior Management

To foster excellence in leadership and elite teams with strong execution abilities, the Group and the regional companies have started leadership training camps for intermediary and senior management since June. The training was primarily aimed at increasing the abilities of intermediary and senior management in terms of influence over their subordinates, non-HR management and execution capabilities. In the training, intermediary and senior managers attended a series of courses including "Leadership Enhancement," "HR Management for Non-HR Managers" and "Excellent Execution Ability," aiming to improve their competence from multiple perspectives such as delegation and management teams.

3. Training Top-Class Construction Work Personnel

The Group attaches great importance to the quality of construction work. Business exchanges among construction work personnel of various regional companies are arranged, with a special emphasis on learning from regional companies with a longer history of operation. Professional training courses in construction work are also being provided.

Training provided by the Group for construction work personnel in 2013 included the following:

a. Lectures on "Seepage Maintenance and Water-resistant Treatment in Building Construction" given to construction work personnel by external instructors.

b. Exchanges among regional companies on seepage maintenance and water-resistant treatment in construction work, during which each regional company gave a 15-minute briefing on its own experience.

c. Visits to MIXc of China Resources, Hejiayuan of Canhigh and Mega City of Gemdale in Hangzhou and conferences with personnel from China Resources Land Limited, Gemdale Corporation and Canhigh.

d. Visits to three KWG Property projects in Shanghai: Shanghai Apex, Shanghai Emerald and Shanghai Sapphire.

4. Training Top-Class Designers

To enhance the training of design personnel, the Group encouraged designers at various regional companies to communicate and exchange ideas with each other, so as to help solving practical issues encountered in work, raise their level of expertise and broaden their vision in design.

Training provided by the Group for design personnel in 2013 included the following:

a. Visits to projects of industry peers and exchanges with their staff, for example 紫雲台 and 兩江新宸 developed by Longfor Properties Co. Ltd. and 廊橋水鄉 by Jinke Property.

b. Lectures on "Delivering Winning Designs – Innovation in Product Design and Analysis of Strategic Cases" given to design personnel by external instructors.

c. Visits to Chengdu Sky Ville and Chengdu Cosmos of KWG Property Chengdu.

d. Design management training under different themes, such as studies of feature designs of various regional companies and the upfront project plans for sites H, I and J of Xidian Village of the Sunhe complex.

e. Seminars to discuss issues in design management encountered in different regions.

5. Regular Training for Staff

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

b. Various types of seminars and training courses under different topics, such as risk control, company law, hotel materials cost management and project work management training camps under the category of special skills; as well as business negotiations and HR resource management for non-HR managers under the category of general skills were provided.

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

   The system facilitates business taking and assists management through the use of information technology and acts as a protective platform that effectively supports a property development company's efficient construction during the process from strategic execution, management execution to desktop strategic execution.

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

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

   Training sessions and examinations for the certification of qualifications of the ERP sales management system and the cost management system were promoted to all regional companies in China in November by the Group's department of human resources and department of operations and management, following the implementation at the Group headquarters and the Guangzhou Company since August 2013. Currently, "ERP System Training – Sales Management System Training" and "ERP System Training – Cost Management System Training" have been launched, while the ERP sales management system qualification examination has also been held to provide certification of employees' skills.

Labour conventions

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

Community Involvement

The "100 Art Libraries for China" Project

In 2013, the "KWG Art Library" project was officially launched to promote our culture of ART@KWG to children in rural districts. KWG Property plans to make donations for the construction of 100 art libraries at rural primary school across the nation, aiming to provide rural kids with art books in greater numbers and of newer editions. By spreading knowledge in art, we hope to help these rural kids broaden their vision, nurture their interest in art and bring their imaginative powers into full play, so that they might have a chance to live their dreams of realising their artistic talents.

As a charitable enterprise with a strong commitment to social responsibilities, KWG Property has been engaged in charity and welfare activities with devoted efforts. The "KWG Art Library" project, which aimed at building 6 to 8 rural art libraries in China each year to complete 100 libraries in 10 years, has won the attention of the public as a worthy cause. Currently, "樂助善益群," a charitable group in Guangzhou, has joined the "KWG Art Library" project and called on its enthusiastic members to donate books to libraries under the project for a positive impact on the rural kids.

We started from Guangdong and two libraries were built in Huaiji County, Guangdong in May. In collaboration with 合景寧駿物業, KWG Property rallied property owners and tenants to make book donations to Lanma Primary School and Mintang Primary School in Huaiji County. From the collection and purchase of books to the delivery, sorting and stacking of books, these benefactors were personally involved, and they even helped in the wall painting as they witnessed the completion of these 2 libraries.

Huaiji County Lanma Primary School

Huaiji County Mintang Primary School

Chengdu was selected as the second destination of our project in September. KWG Property personnel were joined by property owners in Chengdu as they travelled to Yibin to build two new rural primary libraries in two local primary schools, Heli Primary School and Longxing Jiufeng Primary School.

Corporate Social Responsibility Report

Charitable Donations

On 10 May 2013, KWG Property Chengdu donated RMB2 million to Chengdu Charity Federation in support of reconstruction works in the aftermath of the 7.0 earthquake at Lushan, Ya'an on 20 April. KWG Property also rallied owners of KWG-developed properties and KWG Property staff across the nation for monetary donations to the citizens of Ya'an. KWG Property Chengdu further organised volunteer teams to help victims rebuild their homes, as it continued to allocate corporate resources to support the disaster-struck areas on a best-effort basis. Pleas were made to every employee, every patron and every person who support KWG Property's commitment to social responsibilities, calling for proactive actions to inform themselves about conditions in the disaster-struck areas and help the people there through various means.

Patronage for Cultural Activities

The year under review marked the 18th anniversary of KWG Property. To celebrate KWG Property's growth into a mature corporation that continued to "Build Home with Heart and Create Future with Aspiration" after 18 years of growth and development, a series of activities under the theme of "The KWG Metamorphosis – 18 Years of Wonder and Brilliance" (合景18載 • 蝶變匯精彩) were held in 2013 such as the "4th KWG Child Painting Contest" held in May under the theme of "Love of Nature – Painting the Brilliance of Metamorphosis" (悉心愛自然 • 蝶變繪精彩), which was aimed at promoting to children the green concept of harmony with Nature. Kids of owners/tenants of 23 KWG-developed properties in Guangzhou, Beijing, Chengdu and Suzhou, as well as the children of KWG Property staff, were invited to participate in the contest, which was divided into the infant group (aged 3–6) and the junior group (aged 7–12).

A family carnival was held at Yongle Farm in Nansha District, Guangzhou on 15 June as a finale to the "4th KWG Child Painting Contest: Love of Nature – Painting the Brilliance of Metamorphosis". Over 200 guests, comprising 61 award winners and their families, were present at the joyous gathering. The contest had a record-high enrolment of close to 400 entries, featuring some of the best paintings seen in recent years. The idea of an eco-friendly urban environment was dominant in most paintings by the young contestants, many of whom had participated in the contest for four years in a row.

On 22 June 2013, Guangzhou International Dragon Boat Invitational Tournament, a five-star event in the traditional Chinese sporting activity, was once again racing through the waters of Pearl River. As one of the corporate guests of honor, KWG Property was awarded the title of "Special Sponsor of Guangzhou International Dragon Boat Invitational Tournament 2013" in recognition of its strong support for the tournament. This marked KWG Property's first sponsorship during the year for a folk-style tournament.

Report of the Directors

The directors are pleased to present their report and the audited financial statements for the year ended 31 December 2013.

Principal Activities

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

Results and Dividends

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 59 to 150.

The Board of the Company has proposed the payment of a final scrip dividend (with a cash option) of RMB29 cents per ordinary share for the year ended 31 December 2013. The proposed final scrip dividend (with a cash option) if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 29 July 2014 to the shareholders on the Register of Members on 17 June 2014.

Summary Financial Information

A financial summary of the Group is set out on page 152. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 151.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 20 to the financial statements. Further details of the Group's major properties under development are set out on page 151.

Completed Properties Held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 21 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 151.

Share Capital and Share Options

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

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

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

Distributable Reserves

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with Articles 146 of the Articles of Association of the Company, amounted to approximately RMB6,797,700,000, of which approximately RMB839,014,000 has been proposed as a final dividend for the year.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB2,330,000.

Major Customers and Suppliers

For the year ended 31 December 2013, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payments attributable to the Group's largest contractor and five largest contractors amounted to approximately 11.4% and 29.3% respectively, of the total payments under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 9.8% and 27.1% respectively, of the total purchases for the year.

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

Directors

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

Executive Directors:

Mr. Kong Jian Min *(Chairman)*
Mr. Kong Jian Tao *(Chief Executive Officer)*
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi
Mr. Yu Yao Sheng [note 1]

Independent Non-executive Directors:
Mr. Lee Ka Sze, Carmelo, JP
Mr. Tam Chum Fai
Mr. Li Bin Hai
Mr. Dai Feng note 2

Notes:

1. Mr. Yu Yao Sheng resigned as an executive director of the Company on 30 April 2013.

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

In accordance with Articles 86(3), 87(1) and 87(2) of the Company's articles of association, Messrs. Kong Jian Min, Kong Jian Tao, Tsui Kam Tim and He Wei Zhi will retire from office as executive directors of the Company by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for a period of one year.

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

Directors' and Senior Management's Biographical Details

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 30 to 32 of the annual report.

Changes in Information of Directors

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

(1) Annual director's fee of all independent non-executive directors of the Company was increased from HK$400,000 to HK$500,000 from 1 April 2013.

(2) Mr. Yu Yao Sheng resigned as an executive director of the Company and a vice president of the Group on 30 April 2013.

(3) Mr. Lee Ka Sze, Carmelo, JP, had been resigned as the Chairman of the Transport Tribunal of the Hong Kong Government from 1 April 2013.

(4) Mr. Lee Ka Sze Carmelo, JP, had been appointed as independent non-executive director of Esprit Holdings Limited from 25 July 2013.

(5) Annual director's fee of Messrs. Kong Jian Min, Kong Jian Tao and Kong Jian Nan was increased from HK$400,000 to HK$1,500,000 from 1 January 2014.

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

Directors' Service Contracts

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

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

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

Directors' Remuneration

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

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

At 31 December 2013, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows or as disclosed under the section headed "Share Option Scheme" on page 53:

Long positions in ordinary shares of the Company:

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long Position	Interest of controlled corporations	1,714,441,500	59.26%
	Long Position	Beneficial owner	36,300,500	1.25%
Kong Jian Tao (Notes 2 and 3)	Long Position	Interest of controlled corporations	1,687,500,000	58.33%
	Long Position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 2 and 3)	Long Position	Interest of controlled corporations	1,687,500,000	58.33%
He Wei Zhi (Note 5)	Long Position	Interest of spouse	10,000	0.00035%

Notes:

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

2. Plus Earn Consultants Limited ("**Plus Earn**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,612,500,000 shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.

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

4. Hero Fine Group Limited ("**Hero Fine**") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 26,941,500 shares through his interest in Hero Fine. Kong Jian Min is the sole director of Hero Fine.

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

Long positions in shares and underlying shares of associated corporations:

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

Save as disclosed above or under the section headed "Share Option Scheme" on page 53, as at 31 December 2013, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any directors or chief executive of the Company, as at 31 December 2013, other than the interests and short positions of the directors or the chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and the Chief Executive in Shares and Underlying Shares" above and the section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	55.74%

Notes:

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

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

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

Long positions in the shares of the Company:

Name	Capacity	Number of shares in Long Position (Note 1)	Percentage of issued share capital
Alliance Bernstein L.P.	Investment Manager	144,229,300	4.99%
	Interest of controlled corporations	10,261,100	0.35%

Note:

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

Save as disclosed above, as at 31 December 2013, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

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

During the year ended 31 December 2013, no share options were granted, exercised or lapsed.

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

Name of grantee	Number of share options granted as at 1 January 2013	Number of share options granted/ (cancelled) during the year (Note 1)	Number of share options outstanding as at 31 December 2013	Date of grant (Notes 3 and 4)	Period during which share options are exercisable (Note 1)	Exercise price per share (HK$)
Li Jian Ming	619,000	–	619,000	18 December 2009	18 December 2010–17 December 2014	6.24
	619,000	–	619,000	26 August 2011	26 August 2012–25 August 2016	4.49
He Wei Zhi	619,000	–	619,000	18 December 2009	18 December 2010–17 December 2014	6.24
	619,000	–	619,000	26 August 2011	26 August 2012–25 August 2016	4.49
Yu Yao Sheng	619,000	(619,000)	–	18 December 2009	18 December 2010–17 December 2014	6.24
	619,000	(619,000)	–	26 August 2011	26 August 2012–25 August 2016	4.49
Tsui Kam Tim	619,000	–	619,000	18 December 2009	18 December 2010–17 December 2014	6.24
	1,238,000	–	1,238,000	26 August 2011	26 August 2012–25 August 2016	4.49
Tam Chun Fai	30,000	–	30,000	18 December 2009	18 December 2009–17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011–25 August 2016	4.49
Lee Ka Sze, Carmelo	30,000	–	30,000	18 December 2009	18 December 2009–17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011–25 August 2016	4.49
Dai Feng	30,000	–	30,000	18 December 2009	18 December 2009–17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011–25 August 2016	4.49
Other employees of the Group	3,305,000	–	3,305,000	18 December 2009	18 December 2010–17 December 2014	6.24
Other employees of the Group	3,822,000	–	3,822,000	26 August 2011	26 August 2012–25 August 2016	4.49

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise periods.

2. Details of the exercise period of the share option are set out in note 32 to the financial statements.

3. The closing price of the Company's shares immediately before the date on which options granted on 18 December 2009 was HK$6.23.

4. The closing price of the Company's shares immediately before the date on which options granted on 26 August 2011 was HK$4.32.

Valuation of Share Options

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

Contract of Significance

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

Corporate Governance

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

Sufficiency of Public Float

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

Directors' Interests in a Competing Business

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

Auditors

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

Disclosures Pursuant to Rule 13.21 of the Listing Rules

A joint venture in which the Group owns 50% equity interest, Hines Shanghai New Jiangwan Development Co. Ltd., entered into an agreement for a bank loan of HK$1.4 billion (the "Loan Agreement I") on 29 June 2011. The Loan Agreement I includes a condition imposing specific performance obligations on Mr. Kong Jian Min ("Mr. Kong"), the controlling shareholder of the Company. Mr. Kong is interested in approximately 60.51% of the issued share capital of the Company as at 31 December 2013. It will be an event of default in the event that Mr. Kong ceases to (i) hold directly or indirectly an aggregate beneficial ownership of not less than 30% in the issued share capital of the Company; (ii) be directly or indirectly the single largest shareholder of the Company; or (iii) exercise or to be entitled to exercise management control over the Company, and in such event (amongst other things), the Loan Agreement I may be terminated by the lenders and the loan may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 29 June 2011.

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

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

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK$500,000,000 (the "Facility Agreement II"). The Facility Agreement II includes conditions imposing specific performance obligations on Mr. Kong, Mr. Kong Jian Tao and Mr. Kong Jian Nan (collectively called "Kong's family"). Kong's family is collectively interested in approximately 60.55% of the issued share capital of the Company as at 31 December 2013. It will be an event of default if (i) Kong's family shall not together continue to control the Company; and (ii) Mr. Kong shall not remain as the Chairman of the Board of the Company. "Control" under the Facility Agreement II means (a) (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) the power to appoint and/or remove all or a majority of the members of the Board or other governing body of the Company or otherwise control or has the power of control over the affairs and policies of the Company; and (b) to hold, whether directly or indirectly through any person beneficially, at least thirty per cent (30%) of the issued share capital of the Company. Upon the occurrence of an event of default, the Facility Agreement II may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transactions are disclosed in the announcement of the Company dated 28 September 2012.

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

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

ON BEHALF OF THE BOARD

Kong Jian Min
Chairman

Hong Kong
17 March 2014

Independent Auditors' Report

EY 安永

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

We have audited the consolidated financial statements of KWG Property Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 150, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Independent Auditors' Report

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 disclosure requirements of the Hong Kong Companies Ordinance.

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

17 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**9,468,002**	9,676,422
Cost of sales		**(6,035,968)**	(6,140,564)
Gross profit		**3,432,034**	3,535,858
Other income and gains, net	5	**75,295**	73,709
Selling and marketing expenses		**(261,138)**	(250,981)
Administrative expenses		**(753,026)**	(642,557)
Other operating expenses, net		**(898)**	(1,318)
Fair value gains on investment properties, net	15	**541,468**	643,153
Finance costs	7	**(214,291)**	(70,375)
Share of profits and losses of:			
Associates		**(3,121)**	(1,877)
Joint ventures		**887,480**	480,375
PROFIT BEFORE TAX	6	**3,703,803**	3,765,987
Income tax expenses	10	**(954,550)**	(1,333,017)
PROFIT FOR THE YEAR		**2,749,253**	2,432,970
Attributable to:			
Owners of the Company	11	**2,749,769**	2,406,368
Non-controlling interests		**(516)**	26,602
		2,749,253	2,432,970
Earnings per share attributable to owners of the Company – Basic and diluted	13	**RMB95 cents**	RMB83 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR	**2,749,253**	2,432,970
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**163,442**	7,045
Share of exchange differences on translation of associates	**23,308**	2,938
Share of exchange differences on translation of joint ventures	**32,038**	7,394
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**218,788**	17,377
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,968,041**	2,450,347
Attributable to:		
Owners of the Company	**2,968,557**	2,423,745
Non-controlling interests	**(516)**	26,602
	2,968,041	2,450,347

Consolidated Statement of Financial Position

31 December 2013

	Notes	**2013 RMB'000**	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,176,236**	2,688,047
Investment properties	15	**6,134,630**	5,254,772
Land use rights	16	**858,546**	1,055,911
Long term prepayments		**–**	251,870
Interests in associates	18	**744,506**	641,975
Interests in joint ventures	19	**13,229,965**	8,306,895
Deferred tax assets	29	**995,798**	966,263
Total non-current assets		**25,139,681**	19,165,733
CURRENT ASSETS			
Properties under development	20	**18,923,966**	17,950,793
Completed properties held for sale	21	**4,036,430**	3,987,615
Trade receivables	22	**166,695**	86,414
Prepayments, deposits and other receivables	23	**2,309,263**	1,094,206
Due from a joint venture	19	**23**	–
Taxes recoverable	24(a)	**155,600**	135,273
Restricted cash	25	**1,444,243**	1,517,229
Cash and cash equivalents	25	**9,414,483**	4,927,197
Total current assets		**36,450,703**	29,698,727
CURRENT LIABILITIES			
Trade payables	26	**3,333,315**	3,107,723
Other payables and accruals	27	**8,452,278**	6,858,708
Due to joint ventures	19	**6,401,540**	2,454,234
Interest-bearing bank and other borrowings	28	**3,065,010**	3,100,173
Taxes payable	24(b)	**3,735,200**	3,374,145
Total current liabilities		**24,987,343**	18,894,983
NET CURRENT ASSETS		**11,463,360**	10,803,744
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,603,041**	29,969,477
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**17,840,356**	13,090,415
Deferred tax liabilities	29	**909,523**	814,683
Deferred revenue	30	**11,000**	711,000
Total non-current liabilities		**18,760,879**	14,616,098
NET ASSETS		**17,842,162**	15,353,379

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**280,485**	280,485
Reserves	33(a)	**16,698,009**	14,567,073
Proposed final dividends	12	**839,014**	433,973
		17,817,508	15,281,531
Non-controlling interests		**24,654**	71,848
TOTAL EQUITY		**17,842,162**	15,353,379

Kong Jian Min
Director

Kong Jian Tao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to owners of the Company										
	Notes	Issued capital RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012		280,485	6,615,724	581,122	88,991	22,004	(57,546)	5,323,532	636,493	13,490,805	202,213	13,693,018
Profit for the year		–	–	–	–	–	–	2,406,368	–	2,406,368	26,602	2,432,970
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	7,045	–	–	–	–	7,045	–	7,045
Share of exchange differences on translation of associates		–	–	–	2,938	–	–	–	–	2,938	–	2,938
Share of exchange differences on translation of joint ventures		–	–	–	7,394	–	–	–	–	7,394	–	7,394
Total comprehensive income for the year		–	–	–	17,377	–	–	2,406,368	–	2,423,745	26,602	2,450,347
Derecognition of a subsidiary		–	–	–	–	–	–	–	–	–	(176,967)	(176,967)
Contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	20,000	20,000
Share option expenses	32	–	–	–	–	3,474	–	–	–	3,474	–	3,474
Final 2011 dividend declared		–	–	–	–	–	–	–	(636,493)	(636,493)	–	(636,493)
Transfer to reserves	33(a)	–	–	26,680	–	–	–	(26,680)	–	–	–	–
Proposed final 2012 dividend	12	–	–	–	–	–	–	(433,973)	433,973	–	–	–
At 31 December 2012		280,485	6,615,724*	607,802*	106,368*	25,478*	(57,546)*	7,269,247*	433,973	15,281,531	71,848	15,353,379

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

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

* These reserve accounts comprise the consolidated reserves of approximately RMB16,698,009,000 (2012: approximately RMB14,567,073,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,703,803**	3,765,987
Adjustments for:			
Finance costs	7	**214,291**	70,375
Share of profits and losses of associates		**3,121**	1,877
Share of profits and losses of joint ventures		**(887,480)**	(480,375)
Interest income	5	**(42,848)**	(47,530)
Recognition of deferred revenue	30	**(700,000)**	–
Loss on disposal of investment properties, net	6	**139**	697
Loss on disposal of items of property, plant and equipment	6	**11**	31
Depreciation	6	**69,020**	76,399
Amortisation of land use rights	6	**2,353**	4,499
Changes in fair values of investment properties, net	15	**(541,468)**	(643,153)
Equity-settled share option expenses	32	**1,393**	3,474
		1,822,335	2,752,281
(Increase)/decrease in properties under development		**(1,051,531)**	1,123,417
Increase in completed properties held for sale		**(48,815)**	(1,356,606)
Increase in trade receivables		**(80,281)**	(25,859)
Increase in prepayments, deposits and other receivables		**(2,094,258)**	(774,263)
(Increase)/decrease in an amount due from a joint venture		**(23)**	43,713
Decrease/(increase) in restricted cash		**72,986**	(168,649)
Increase in trade payables		**225,667**	292,613
Increase in other payables and accruals		**3,683,859**	1,037,299
Decrease in amounts due to associates		**–**	(1,081,720)
Increase in amounts due to joint ventures		**3,947,306**	1,864,603
Cash generated from operations		**6,477,245**	3,706,829
Interest received		**42,848**	47,530
Interest paid		**(1,915,417)**	(1,594,994)
Corporate income tax paid		**(197,479)**	(834,621)
Land appreciation tax paid		**(351,121)**	(313,899)
Net cash flows from operating activities		**4,056,076**	1,010,845

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Net cash flows from operating activities		**4,056,076**	1,010,845
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(547,293)**	(1,016,922)
Acquisition of land use rights		**(27,451)**	–
Proceeds from disposal of investment properties		**2,396**	11,572
Derecognition of subsidiaries	35(a)	**(366,098)**	(218,496)
Proceeds from disposals of property, plant and equipment		**6,395**	5,403
Investments in joint ventures		**(918,710)**	(988,821)
Advance to associates		**(82,344)**	(27,750)
(Advance to)/repayment from joint ventures		**(2,742,100)**	119,473
Net cash flows used in investing activities		**(4,675,205)**	(2,115,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes		**1,825,174**	2,454,609
New bank loans		**9,160,182**	5,359,480
Repayment of bank loans		**(5,427,118)**	(4,540,575)
Repayment of trust financing arrangements		**–**	(649,859)
Dividend paid		**(433,973)**	(636,493)
Contributions from non-controlling interests		**2,200**	20,000
Net cash flows from financing activities		**5,126,465**	2,007,162
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,507,336**	902,466
Cash and cash equivalents at beginning of year		**4,927,197**	4,024,609
Effect of foreign exchange rate changes, net		**(20,050)**	122
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,414,483**	4,927,197
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,419,272**	2,982,307
Non-pledged time deposits with original maturity of less than three months when acquired	25	**4,995,211**	1,944,890
Cash and cash equivalents		**9,414,483**	4,927,197

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,928**	2,385
Interests in subsidiaries	17	**10,930,349**	10,203,062
Advances to associates	18	**349,360**	298,828
Interests in joint ventures	19	**2,175,631**	2,191,235
Total non-current assets		**13,460,268**	12,695,510
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**187,092**	94,082
Due from a subsidiary	17	**2,717,979**	1,275,148
Cash and cash equivalents	25	**379,389**	332,805
Total current assets		**3,284,460**	1,702,035
CURRENT LIABILITIES			
Other payables and accruals	27	**304,195**	245,342
Due to joint ventures	19	**772,636**	548,195
Interest-bearing bank and other borrowings	28	**236,308**	78,399
Total current liabilities		**1,313,139**	871,936
NET CURRENT ASSETS		**1,971,321**	830,099
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,431,589**	13,525,609
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**8,353,404**	6,824,889
Total non-current liabilities		**8,353,404**	6,824,889
NET ASSETS		**7,078,185**	6,700,720
EQUITY			
Issued capital	31	**280,485**	280,485
Reserves	33(b)	**5,958,686**	5,986,262
Proposed final dividends	12	**839,014**	433,973
TOTAL EQUITY		**7,078,185**	6,700,720

Kong Jian Min
Director

Kong Jian Tao
Director

Notes to Financial Statements

31 December 2013

1. Corporate Information

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

During the year, the Group was involved in the following principal activities in the People's Republic of China (the "PRC"):

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

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

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

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

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

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

2.2 Changes in Accounting Policies and Disclosures

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in Annual Improvements 2009–2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that all of the Group's investment previously classified as jointly-controlled entities under HKAS 31, should be reclassified as joint ventures under HKFRS 11 and be accounted for using the equity method. The change in accounting for investments in joint ventures has been applied retrospectively.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

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

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied prospectively where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(f) The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurements for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(h) Annual Improvements 2009–2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

(continued)

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in year of 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for the subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Investments in associates and joint ventures *(continued)*

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

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement

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

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

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets *(continued)*

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

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

Related parties

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

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

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

or

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Investment properties

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

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

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

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

Operating leases

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

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

Properties under development

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

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

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

Completed properties held for sale

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

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

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

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

Government grants

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

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

Revenue recognition

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Other employee benefits

Pension schemes

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

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

Termination benefits

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

Borrowing costs

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

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

Dividends

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

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies

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

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

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

The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

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

Judgements *(continued)*

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

Properties under development and completed properties held for sale are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised immediately in the consolidated statement of profit or loss. During the year ended 31 December 2013, properties under development with a total carrying amount of approximately RMB340,081,000 (2012: approximately RMB766,526,000) were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB69,976,000 (2012: approximately RMB377,465,000) in the consolidated statement of profit or loss.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets relating to recognised tax losses at 31 December 2013 was approximately RMB92,840,000 (2012: approximately RMB71,812,000). Further details are contained in note 29 to the financial statements.

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

Estimation uncertainty

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

Corporate income taxes

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

PRC land appreciation taxes

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

Withholding tax arising from the distribution of dividends

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

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

Estimation of fair value of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of each reporting period based on the appraised market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

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

4. Operating Segment Information

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

(a) Property development: Sale of properties

(b) Property investment: Leasing of properties

(c) Hotel operation: Operation of hotels

(d) Property management: Provision of property management services

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

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

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

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

4. Operating Segment Information *(continued)*

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

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

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

Year ended 31 December 2013

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

4. Operating Segment Information *(continued)*

Year ended 31 December 2012

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	9,330,231	143,315	83,886	118,990	9,676,422
Segment results	3,500,751	784,963	(6,309)	11,049	4,290,454
Reconciliation:					
Interest income and unallocated income					73,709
Unallocated expenses					(527,801)
Finance costs					(70,375)
Profit before tax					3,765,987
Income tax expenses					(1,333,017)
Profit for the year					2,432,970
Assets and liabilities:					
Segment assets	35,290,885	5,394,892	346,582	45,839	41,078,198
Reconciliation:					
Unallocated assets					7,786,262
Total assets					48,864,460
Segment liabilities	28,557,185	125,501	100,379	10,259	28,793,324
Reconciliation:					
Unallocated liabilities					4,717,757
Total liabilities					33,511,081
Other segment information:					
Depreciation and amortisation	40,379	2,565	37,304	650	80,898
Fair value gains on investment properties, net	–	643,153	–	–	643,153
Share of profits and losses of:					
Associates	(1,877)	–	–	–	(1,877)
Joint ventures	480,375	–	–	–	480,375

5. Revenue, Other Income and Gains, Net

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

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

	2013 RMB'000	2012 RMB'000
Revenue		
Sale of properties	**8,976,887**	9,330,231
Gross rental income	**144,735**	143,315
Hotel operation income	**203,120**	83,886
Property management fees	**143,260**	118,990
	9,468,002	9,676,422
Other income and gains, net		
Bank interest income	**42,848**	47,530
Foreign exchange differences, net	**3,702**	–
Others	**28,745**	26,179
	75,295	73,709

6. Profit Before Tax

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

	Notes	**2013 RMB'000**	2012 RMB'000
Cost of properties sold		**5,943,332**	6,110,846
Less: Government grant released*	27(a)	**(1,076)**	(49,528)
		5,942,256	6,061,318
Depreciation	14	**69,020**	76,399
Amortisation of land use rights	16	**18,675**	29,662
Less: Amount capitalised in assets under construction		**(16,322)**	(25,163)
		2,353	4,499
Minimum lease payments under operating leases of land and buildings		**19,759**	14,925
Auditors' remuneration		**4,200**	4,000
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**419,298**	332,803
Pension scheme contributions**		**30,713**	23,776
Equity-settled share option expense		**1,126**	1,649
Less: Amount capitalised in assets under construction, properties under development and investment properties under development		**(127,654)**	(106,924)
		323,483	251,304
Loss on disposal of investment properties, net***		**139**	697
Loss on disposal of items of property, plant and equipment		**11**	31
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	15	**26,531**	26,227

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

** At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).

*** The loss on disposal of investment properties, net is included in "Other operating expenses, net" in the consolidated statement of profit and loss.

7. Finance Costs

	2013 **RMB'000**	2012 RMB'000
Interest on bank and other borrowings	**1,893,751**	1,618,184
Less: Interest capitalised	**(1,679,460)**	(1,547,809)
	214,291	70,375

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 **RMB'000**	2012 RMB'000
Fees	**3,459**	3,272
Other emoluments:		
Salaries, allowances and benefits in kind	**20,020**	15,219
Equity-settled share option expense	**267**	1,825
Pension scheme contributions	**271**	274
	20,558	17,318
	24,017	20,590

For the years ended 31 December 2013 and 2012, no directors and chief executive were granted share options.

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

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2013			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	**374**	**6**	**380**
Mr. Dai Feng	**374**	**6**	**380**
Mr. Tam Chun Fai	**374**	**5**	**379**
Mr. Li Bin Hai	**374**	**–**	**374**
	1,496	**17**	**1,513**
2012			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	311	10	321
Mr. Dai Feng	311	10	321
Mr. Tam Chun Fai	311	10	321
Mr. Li Bin Hai (appointed on 1 July 2012)	162	–	162
	1,095	30	1,125

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013					
Executive directors:					
Mr. Kong Jian Min	**314**	**3,600**	**–**	**49**	**3,963**
Mr. Kong Jian Tao	**314**	**3,600**	**–**	**49**	**3,963**
Mr. Kong Jian Nan	**314**	**3,380**	**–**	**49**	**3,743**
Mr. Li Jian Ming	**314**	**2,276**	**192**	**47**	**2,829**
Mr. Tsui Kam Tim	**314**	**4,255**	**310**	**24**	**4,903**
Mr. He Wei Zhi	**314**	**2,353**	**192**	**41**	**2,900**
Mr. Yu Yao Sheng (resigned on 30 April 2013)	**79**	**556**	**(444)**	**12**	**203**
	1,963	**20,020**	**250**	**271**	**22,504**
2012					
Executive directors:					
Mr. Kong Jian Min	311	2,400	–	45	2,756
Mr. Kong Jian Tao	311	2,400	–	45	2,756
Mr. Kong Jian Nan	311	1,920	–	45	2,276
Mr. Li Jian Ming	311	1,602	391	45	2,349
Mr. Tsui Kam Tim	311	4,386	622	11	5,330
Mr. He Wei Zhi	311	1,464	391	38	2,204
Mr. Yu Yao Sheng	311	1,047	391	45	1,794
	2,177	15,219	1,795	274	19,465

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

9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2013 included four (2012: five) directors, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining one non-director, highest paid employee for the year ended 31 December 2013 were as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,494**	–
Pension scheme contributions	**24**	–
	3,518	–

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

	Number of employees	
	2013	2012
RMB3,500,001 to RMB4,000,000	**1**	–

No emoluments were paid by the Group to the directors or non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

10. Income Tax Expenses

	Note	**2013**	2012
		RMB'000	RMB'000
Current – PRC			
CIT		**520,084**	804,665
LAT		**369,244**	605,867
		889,328	1,410,532
Deferred	29	**65,222**	(77,515)
Total tax charge for the year		**954,550**	1,333,017

10. Income Tax Expenses *(continued)*

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

	2013	2012
	RMB'000	RMB'000
Profit before tax	**3,703,803**	3,765,987
At statutory income tax rate of 25.0% (2012: 25.0%)	**925,951**	941,497
Income not subject to tax	**(3,401)**	(1,811)
Expenses not deductible for tax	**10,102**	13,847
Profits and losses attributable to associates	**780**	469
Profits and losses attributable to joint ventures	**(221,870)**	(120,094)
LAT	**369,244**	605,867
Effect of LAT	**(92,311)**	(151,467)
Others	**(33,945)**	44,709
Tax charge at the Group's effective rate of 25.8% (2012: 35.4%)	**954,550**	1,333,017

For the year ended 31 December 2013, the share of CIT expense and LAT attributable to the joint ventures amounting to approximately RMB295,927,000 (2012: approximately RMB162,910,000) and approximately RMB252,051,000 (2012: approximately RMB205,859,000), respectively, are included in "Share of profits and losses of joint ventures" on the face of the consolidated statement of profit or loss.

For the year ended 31 December 2013, the share of CIT credit attributable to the associates amounting to approximately RMB1,022,000 (2012: approximately RMB622,000), is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2013 and 2012.

PRC corporate income tax

PRC CIT in respect of operations in the PRC have been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2013 and 2012, based on existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax

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

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a loss of approximately RMB262,070,000 (2012: approximately RMB115,220,000), which was arrived at after deducting dividend income received from subsidiaries of RMB1,187,500,000 (2012: RMB475,000,000) from the Company's profit of approximately RMB925,430,000 (2012: approximately RMB359,780,000) that has been dealt with in the financial statements of the Company (note 33(b)).

12. Dividends

	2013	2012
	RMB'000	RMB'000
Proposed final scrip dividend (with a cash option) – RMB29 cents (2012: cash dividend of RMB15 cents) per ordinary share	**839,014**	433,973

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

13. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 2,893,150,000 (2012: 2,893,150,000) in issue during the year.

For the year ended 31 December 2013, the calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 2,893,150,000 (2012: 2,893,150,000) plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 611,805 (2012: 7,637).

The calculation of basic and diluted earnings per share is based on:

	2013	2012
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company	**2,749,769**	2,406,368

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**2,893,150,000**	2,893,150,000
Effect of dilution – share options	**611,805**	7,637
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,893,761,805**	2,893,157,637

14. Property, Plant and Equipment

Group

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2013							
At 31 December 2012 and 1 January 2013:							
Cost	1,043,980	5,930	3,188	263,486	78,374	1,474,629	2,869,587
Accumulated depreciation	(94,861)	(3,056)	(3,096)	(48,294)	(32,233)	–	(181,540)
Net carrying amount	949,119	2,874	92	215,192	46,141	1,474,629	2,688,047
At 1 January 2013, net of accumulated depreciation	949,119	2,874	92	215,192	46,141	1,474,629	2,688,047
Additions	10,203	143	–	14,323	10,856	570,746	606,271
Transfer	1,554,939	–	–	–	–	(1,597,595)	(42,656)
Derecognition of a subsidiary (note 35(a))	–	–	–	(12)	–	–	(12)
Disposals	–	–	–	(4,018)	(2,376)	–	(6,394)
Depreciation provided during the year	(14,167)	(1,327)	–	(38,558)	(14,968)	–	(69,020)
At 31 December 2013, net of accumulated depreciation	2,500,094	1,690	92	186,927	39,653	447,780	3,176,236
At 31 December 2013:							
Cost	2,609,122	6,073	3,188	271,172	83,749	447,780	3,421,084
Accumulated depreciation	(109,028)	(4,383)	(3,096)	(84,245)	(44,096)	–	(244,848)
Net carrying amount	2,500,094	1,690	92	186,927	39,653	447,780	3,176,236

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2012							
At 1 January 2012:							
Cost	436,358	4,456	3,188	52,664	59,926	1,327,767	1,884,359
Accumulated depreciation	(54,887)	(1,843)	(3,095)	(22,874)	(22,723)	–	(105,422)
Net carrying amount	381,471	2,613	93	29,790	37,203	1,327,767	1,778,937
At 1 January 2012, net of accumulated depreciation	381,471	2,613	93	29,790	37,203	1,327,767	1,778,937
Additions	123,341	1,474	–	216,737	16,966	683,567	1,042,085
Transfer	484,281	–	–	21	1,678	(484,281)	1,699
Derecognition of a subsidiary (note 35(a))	–	–	–	(27)	(390)	(52,424)	(52,841)
Disposals	–	–	–	(5,244)	(190)	–	(5,434)
Depreciation provided during the year	(39,974)	(1,213)	(1)	(26,085)	(9,126)	–	(76,399)
At 31 December 2012, net of accumulated depreciation	949,119	2,874	92	215,192	46,141	1,474,629	2,688,047
At 31 December 2012:							
Cost	1,043,980	5,930	3,188	263,486	78,374	1,474,629	2,869,587
Accumulated depreciation	(94,861)	(3,056)	(3,096)	(48,294)	(32,233)	–	(181,540)
Net carrying amount	949,119	2,874	92	215,192	46,141	1,474,629	2,688,047

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

Company

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2013				
At 31 December 2012 and 1 January 2013:				
Cost	**2,283**	**721**	**482**	**3,486**
Accumulated depreciation	**(567)**	**(104)**	**(430)**	**(1,101)**
Net carrying amount	**1,716**	**617**	**52**	**2,385**
At 1 January 2013, net of accumulated depreciation	**1,716**	**617**	**52**	**2,385**
Additions	**143**	**–**	**3,083**	**3,226**
Depreciation provided during the year	**(579)**	**(4)**	**(100)**	**(683)**
At 31 December 2013, net of accumulated depreciation	**1,280**	**613**	**3,035**	**4,928**
At 31 December 2013:				
Cost	**2,426**	**721**	**3,565**	**6,712**
Accumulated depreciation	**(1,146)**	**(108)**	**(530)**	**(1,784)**
Net carrying amount	**1,280**	**613**	**3,035**	**4,928**
31 December 2012				
At 1 January 2012:				
Cost	809	355	482	1,646
Accumulated depreciation	(99)	(70)	(367)	(536)
Net carrying amount	710	285	115	1,110
At 1 January 2012, net of accumulated depreciation	710	285	115	1,110
Additions	1,474	366	–	1,840
Depreciation provided during the year	(468)	(34)	(63)	(565)
At 31 December 2012, net of accumulated depreciation	1,716	617	52	2,385
At 31 December 2012:				
Cost	2,283	721	482	3,486
Accumulated depreciation	(567)	(104)	(430)	(1,101)
Net carrying amount	1,716	617	52	2,385

At 31 December 2013, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB2,394,365,000 (2012: approximately RMB323,494,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

15. Investment Properties

Group

	2013 Completed investment properties RMB'000	2013 Investment properties under construction RMB'000	2013 Total RMB'000	2012 Completed investment properties RMB'000	2012 Investment properties under construction RMB'000	2012 Total RMB'000
Carrying amount at 1 January	**3,708,042**	**1,546,730**	**5,254,772**	3,522,790	711,500	4,234,290
Transfers from properties under development (note 20)	**–**	**340,081**	**340,081**	–	766,526	766,526
Transfers	**102,244**	**(101,400)**	**844**	615	–	615
Disposals	**(2,535)**	**–**	**(2,535)**	(12,269)	–	(12,269)
Gain from a fair value adjustment	**141,479**	**399,989**	**541,468**	196,906	446,247	643,153
Derecognition of a subsidiary (note 35(a))	**–**	**–**	**–**	–	(377,543)	(377,543)
Carrying amount at 31 December	**3,949,230**	**2,185,400**	**6,134,630**	3,708,042	1,546,730	5,254,772

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

The Group's investment properties consist of approximately RMB6,134,630,000 commercial properties in the PRC. The directors of the Company have determined that the investment properties consist of one class of asset, commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2013 based on valuations performed by CB Richard Ellis Limited, independent professionally qualified valuers, at approximately RMB6,134,630,000 (2012: approximately RMB5,254,772,000). Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a). The gross rental income received and receivable by the Group and the direct expenses in respect of these investment properties are summarised as follows:

	2013 RMB'000	2012 RMB'000
Gross rental income	**144,735**	143,315
Direct expenses	**(26,531)**	(26,227)
Net rental income	**118,204**	117,088

15. Investment Properties *(continued)*

Group *(continued)*

At 31 December 2013, the Group's investment properties with an aggregate carrying amount of approximately RMB3,313,453,000 (2012: approximately RMB3,671,041,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2013, the Group has not yet obtained the real estate ownership certificates of the Group's investment properties with a net carrying amount of approximately RMB2,411,866,000 (2012: approximately RMB1,623,986,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 151 of the annual report.

Fair value hierarchy

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

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

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

15. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

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

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Commercial properties	Direct comparison and income capitalisation	Estimated rental value (per sq.m. and per month)	37 to 609
		Rent growth (p.a.)	3% to 8%
		Long term vacancy rate	5% to 10%
		Discount rate	5% to 7%

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

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

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

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/decrease in the estimated rental value and the market rent growth rate per annum in isolation will result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the long term vacancy rate and the discount rate in isolation will result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

16. Land Use Rights

	Group 2013 RMB'000	Group 2012 RMB'000
At 1 January	**1,083,369**	1,081,538
Additions	**27,451**	103,767
Amortisation recognised during the year	**(18,675)**	(29,662)
Reclassification	**(214,918)**	21,409
Derecognition of a subsidiary (note 35(a))	**–**	(93,683)
At 31 December	**877,227**	1,083,369
Current portion included in prepayments, deposits and other receivables	**(18,681)**	(27,458)
Non-current portion	**858,546**	1,055,911

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

	Group 2013 RMB'000	Group 2012 RMB'000
Analysed by type:		
Held under long term lease	**105,871**	117,700
Held under medium term lease	**771,356**	965,669
	877,227	1,083,369

Certain of the Group's land use rights with an aggregate net carrying amount of approximately RMB158,770,000 (2012: approximately RMB105,620,000) were pledged to banks to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2013, the Group has not yet obtained the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB25,379,000 (2012: approximately RMB10,304,000) from the relevant government authorities. The Group has not fully settled the purchase considerations in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payments of the purchase considerations.

17. Interests in Subsidiaries

	Company 2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	**300,306**	300,306
Due from subsidiaries	**10,616,651**	9,892,377
Capital contribution in respect of employee share-based compensation	**13,392**	10,379
	10,930,349	10,203,062

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

The amount due from a subsidiary included in the Company's current assets of approximately RMB2,717,979,000 (2012: approximately RMB1,275,148,000) is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the principal subsidiaries as at 31 December 2013 are as follows:

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

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries as at 31 December 2013 are as follows: *(continued)*

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

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries as at 31 December 2013 are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Hejing Real Estate Development Limited ("Beijing Hejing")#β	PRC	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited*#β	PRC	HK$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#β	PRC	US$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#β	PRC	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited#β(i)	PRC	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited ("Guangzhou Lihe")#β	PRC	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Hainan Hejing Real Estate Development Limited#β	PRC	RMB70,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Limited ("Shanghai Hejing")#β	PRC	RMB100,000,000	–	100	Property development
Shanghai Deyu Real Estate Development Limited ("Shanghai Deyu")#β	PRC	RMB100,000,000	–	100	Property development
Shanghai Jinyi Property Limited#β	PRC	RMB30,000,000	–	100	Property development
Shanghai Hongyu Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company#β	PRC	RMB100,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Guangzhou Huijing Real Estate Development Limited*#β	PRC	US$58,500,000	–	100	Property development
Guangzhou Chuangjing Real Estate Development Limited*#β	PRC	US$11,620,000	–	100	Property development
Suzhou Junjing Real Estate Development Limited#β	PRC	RMB50,000,000	–	100	Property development
Shanghai Langhe Real Estate Development Limited#β	PRC	RMB887,000,000	–	100	Property development
Shanghai Jingdong Real Estate Development Limited ("Shanghai Jingdong")#β (i)	PRC	RMB1,350,000,000	–	100	Property development
Guangzhou Hejing Fengjingyuan Hotel Limited#β	PRC	RMB30,000,000	–	100	Hotel operation

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries as at 31 December 2013 are as follows: *(continued)*

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

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

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

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

^ These companies were newly established during the year.

(i) Guangzhou Hejing holds a project company, Shanghai Jingdong with injected capital of RMB50,000,000 through its wholly-owned subsidiary, Guangzhou Wanjing Real Estate Development Limited ("Guangzhou Wanjing"), and Shanghai Hejing with 50% equity interest each. The purpose of setting up Shanghai Jingdong is for the development of a property project in Shanghai.

On 29 September 2010, Guangzhou Hejing, Shanghai Hejing and Guangzhou Wanjing entered into an co-operation agreement (the "New China Co-operation Agreement") with New China Trust Company Limited ("New China Trust"), pursuant to which, New China Trust has agreed to inject RMB650,000,000 to Guangzhou Wanjing as share capital. Upon the completion of the capital injection, Guangzhou Hejing's equity interest in Guangzhou Wanjing was diluted to 4.41% and New China Trust became a 95.59% shareholder of Guangzhou Wanjing. This equity interest held by New China Trust was transferred to a trust scheme (the "New China Trust Scheme"), which is set up and managed by New China Trust. The funds raised by New China Trust of RMB650,000,000 from the senior unit investors in the New China Trust Scheme were then injected into Shanghai Jingdong as share capital through Guangzhou Wanjing. At the same time, Shanghai Hejing injected cash of RMB650,000,000 to Shanghai Jingdong as share capital. Accordingly, the increase in share capital in Shanghai Jingdong of RMB1,300,000,000 included RMB650,000,000 from New China Trust and RMB650,000,000 from Shanghai Hejing. Upon the completion of the New China Cooperation Agreement, the Group effectively held a 52.21% equity interest in Shanghai Jingdong. The remaining 47.79% effective equity interest in Shanghai Jingdong was held by the New China Trust Scheme through its equity interest in Guangzhou Wanjing.

17. Interests in Subsidiaries *(continued)*

(i) *(continued)*

Although the Group held a 4.41% equity interest in Guangzhou Wanjing and a 52.21% equity interest in Shanghai Jingdong, the Group was not able to control the board of directors in both Guangzhou Wanjing and Shanghai Jingdong even though the Group could appoint a majority of the board members in Guangzhou Wanjing and Shanghai Jingdong, as New China Trust had the veto power to disapprove the major decisions at board meetings of Guangzhou Wanjing and Shanghai Jingdong. Since the Group had lost control but retained a significant influence on the decisions of Guangzhou Wanjing and Shanghai Jingdong, Guangzhou Wanjing and Shanghai Jingdong were accounted for as associates of the Group as at 31 December 2011.

During the year ended 31 December 2012, the above trust financing arrangement expired and the Group repaid RMB650,000,000 to New China Trust and the related 95.59% and 47.79% equity interests in Guangzhou Wanjing and Shanghai Jingdong, respectively, were returned to the Group. As a result, the Group regained the controls over Guangzhou Wanjing and Shanghai Jingdong, and they were then accounted for as subsidiaries of the Group.

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

18. Interests in Associates/Balances with Associates

	Group	
	2013	2012
	RMB'000	RMB'000
Share of net assets	**64,755**	44,568
Advances to associates	**679,751**	597,407
	744,506	641,975

	Company	
	2013	2012
	RMB'000	RMB'000
Advances to associates	**349,360**	298,828

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

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

Particulars of the principal associates as at 31 December 2013 are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Lyntondale Holdings Limitedβ	Ordinary shares of US$1 each	British Virgin Islands	20.00%	Investment holding
Foshan City Xinsheng Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinfeng Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinjin Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20.00%	Property development
Bonserry Investments Limitedβ	Ordinary shares of US$1 each	British Virgin Islands	20.00%	Investment holding
Foshan City Xinjun Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinhao Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinhui Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinjing Real Estate Development Company Limited#β	Registered capital of RMB1 each	PRC	20.00%	Property development

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

Particulars of the principal associates as at 31 December 2013 are as follows: *(continued)*

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

β Not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

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

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

The following table illustrates the summarised financial information of the Group's associates:

	2013	2012
	RMB'000	RMB'000
Assets	**5,058,493**	4,470,427
Liabilities	**(4,734,723)**	(4,247,585)
Revenue	**17**	213
Expense	**(15,634)**	(9,327)

19. Interests in Joint Ventures/Balances with Joint Ventures

	Group	
	2013	2012
	RMB'000	RMB'000
Share of net assets	**8,932,120**	7,003,020
Advances to joint ventures	**4,297,845**	1,303,875
	13,229,965	8,306,895

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

	Company	
	2013	2012
	RMB'000	RMB'000
Interests in joint ventures	**1,446,074**	1,446,074
Advances to joint ventures	**729,557**	745,161
	2,175,631	2,191,235

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

As at 31 December 2013, an amount due from a joint venture included in the Group's current assets of approximately RMB23,000 (2012: Nil) is unsecured, interest-free and has no fixed term of repayment.

The amounts due to joint ventures included in the Group's current liabilities of approximately RMB6,401,540,000 (2012: approximately RMB2,454,234,000) are unsecured, interest-free and have no fixed terms of repayment.

As at 31 December 2013, the amounts due to joint ventures included in the Company's current liabilities of approximately RMB772,636,000 (2012: approximately RMB548,195,000) are unsecured, interest-free and have no fixed terms of repayment.

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

Particulars of the Group's principal joint ventures as at 31 December 2013 are as follows:

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

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

Particulars of the Group's principal joint ventures as at 31 December 2013 are as follows: *(continued)*

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

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

β Not audited by Ernst & Young Hong Kong or another member of the Ernst & Young global network.

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

Note:

(i) On 25 August 2010, Beijing Hejing, entered into a shareholders' agreement with three independent third parties (collectively the "4 Parties"), for the development of a property project in Tianjin by setting up a project company, Tianjin Jinnan. Each of the 4 Parties held a 25.00% equity interest in Tianjin Jinnan upon the execution of the shareholders' agreement and Tianjin Jinnan is considered as a joint venture held by Beijing Hejing. Further details of the acquisition are included in the Company's announcement dated 25 August 2010.

On 17 September 2010, the 4 Parties entered into an equity transfer agreement with 平安信託有限責任公司 ("Ping An Trust") to transfer their 98.16% (i.e. 24.54% each) equity interests in Tianjin Jinnan to Ping An Trust for a total cash consideration of RMB3,600,000,000 (i.e. RMB900,000,000 each) and the 98.16% equity interests were then transferred to a trust scheme (the "Ping An Trust Scheme"), set up and managed by Ping An Trust. The sales proceeds paid by the Ping An Trust Scheme was financed by the issuance of 3,600,000,000 units of senior units by Ping An Trust Scheme to certain investors for the total proceeds of RMB3,600,000,000. The sale proceeds of RMB3,600,000,000 received by the 4 Parties were then advanced to Tianjin Jinnan through Tianjin He'an (unilaterally controlled by the 4 Parties with 25.00% each), and the loan receivables from Tianjin Jinnan of RMB3,600,000,000 were then used by Tianjin He'an to subscribe for 3,600,000,000 junior units ("Ping An Junior Units") in the Ping An Trust Scheme pursuant to the requirements set out in a framework agreement entered into by the 4 Parties, Tianjin Jinnan and Ping An Trust in August 2010.

The effective period of the Ping An Trust Scheme is 18 months with a guaranteed return of 13% per annum to the Ping An Trust. At the end of the trust period, the Ping An Trust will be repaid with the subscription money of RMB3,600,000,000 plus a total guaranteed return of RMB702,000,000, and the holders of the Ping An Junior Units will be entitled to the 98.16% equity interest in Tianjin Jinnan. In addition, the 4 Parties granted Ping An Trust with an option to acquire a maximum of 16.00% equity interest in Tianjin Jinnan for a predetermined consideration upon the end of the trust period. This option was revalued on 17 September 2010, 31 December 2010 and 31 December 2011 by CB Richard Ellis Limited, independent qualified valuers. In the opinion of the directors, the fair value of this option is considered not significant.

During the Ping An Trust Scheme period, Tianjin Jinnan continues to be accounted for as a joint venture of the Group as Tianjin Jinnan is jointly-controlled by the 4 Parties and Ping An Trust.

Further details of the above transactions are included in the Company's announcement dated 17 September 2010.

During the year ended 31 December 2012, the above trust financing arrangement expired and the Group repaid RMB900,000,000 to Ping An Trust and the related 24.54% equity interests in Tianjin Jinnan was returned to the Group.

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

Note: *(continued)*

(ii) The board of directors of Suzhou Kaiyu consisted of 5 members, 4 of which were appointed by the Group, 1 of which was appointed by the non-controlling shareholder. During the year ended 31 December 2012, a board resolution was passed to amend the articles of association of Suzhou Kaiyu, under which all major decisions of Suzhou Kaiyu require an unanimous agreement from all directors, hence the Group no longer has sole control, but has joint control over Suzhou Kaiyu, and accordingly, Suzhou Kaiyu is accounted for as a joint venture thereafter.

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

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

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

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

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

The following table illustrates the summarised financial information of the Group's joint ventures:

	2013 RMB'000	2012 RMB'000
Share of the joint ventures' assets and liabilities:		
Non-current assets	**169,535**	267,239
Current assets	**28,211,314**	17,231,932
Current liabilities	**(11,972,267)**	(6,870,074)
Non-current liabilities	**(7,476,462)**	(3,626,077)
Net assets	**8,932,120**	7,003,020
Share of the joint ventures' results:		
Revenue and other income	**3,038,378**	1,465,635
Total expenses	**(1,602,920)**	(616,491)
Tax	**(547,978)**	(368,769)
Profit after tax	**887,480**	480,375

20. Properties Under Development

	Group	
	2013	2012
	RMB'000	RMB'000
Properties under development expected to be recovered:		
Within one year	**13,840,010**	12,320,717
After more than one year	**5,083,956**	5,630,076
	18,923,966	17,950,793

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

During the year ended 31 December 2013, certain of the Group's properties under development with aggregate carrying value of approximately RMB340,081,000 (2012: approximately RMB766,526,000) (note 15) were transferred to investment properties.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB9,034,845,000 (2012: approximately RMB9,411,937,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

Included in the Group's properties under development as at 31 December 2013 were land costs with an aggregate net carrying amount of approximately RMB928,381,000 (2012: approximately RMB654,510,000) in which the Group has not yet obtained land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 151 of the annual report.

21. Completed Properties Held for Sale

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

At 31 December 2013, certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB27,936,000 (2012: approximately RMB161,619,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 151 of the annual report.

22. Trade Receivables

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

	Group	
	2013	2012
	RMB'000	RMB'000
Within 3 months	**152,260**	41,359
4 to 6 months	**854**	8,482
7 to 12 months	**2,119**	19,899
Over 1 year	**11,462**	16,674
	166,695	86,414

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

	Group	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**153,114**	49,841
1 to 6 months past due	**13,581**	36,573
	166,695	86,414

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

23. Prepayments, Deposits and Other Receivables

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**444,955**	297,740	**68,014**	18,778
Deposits and other receivables	**1,864,308**	796,466	**119,078**	75,304
	2,309,263	1,094,206	**187,092**	94,082

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

24. Taxes Recoverable/Taxes Payable

(a) Taxes recoverable

	Group	
	2013	2012
	RMB'000	RMB'000
Prepaid CIT	**38,043**	59,715
Prepaid LAT	**117,557**	75,558
	155,600	135,273

(b) Taxes payable

	Group	
	2013	2012
	RMB'000	RMB'000
CIT payable	**1,103,382**	802,449
LAT payable	**2,631,818**	2,571,696
	3,735,200	3,374,145

25. Cash and Cash Equivalents and Restricted Cash

		Group		Company	
	Notes	**2013** **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Cash and bank balances		**5,863,515**	4,499,536	**183,972**	324,506
Time deposits		**4,995,211**	1,944,890	**195,417**	8,299
		10,858,726	6,444,426	**379,389**	332,805
Less: Restricted cash	(a)	**(1,444,243)**	(1,517,229)	**–**	–
Cash and cash equivalents		**9,414,483**	4,927,197	**379,389**	332,805
Denominated in RMB	(b)	**9,987,039**	5,384,215	**1,677**	6,112
Denominated in other currencies		**871,687**	1,060,211	**377,712**	326,693
		10,858,726	6,444,426	**379,389**	332,805

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties. As at 31 December 2013, such guarantee deposits amounted to approximately RMB1,444,243,000 (2012: approximately RMB1,116,069,000).

At 31 December 2012, certain of the Group's time deposits of RMB401,160,000 were pledged to secure general banking facilities granted to the Group (note 37(a)).

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

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

26. Trade Payables

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

	Group	
	2013	2012
	RMB'000	RMB'000
Due within one year or on demand	**3,333,315**	3,107,723

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

27. Other Payables and Accruals

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits received and receipts in advance		**5,699,184**	4,124,778	**–**	–
Other payables and accruals		**2,738,989**	2,718,749	**304,195**	245,342
Deferred income	(a)	**14,105**	15,181	**–**	–
		8,452,278	6,858,708	**304,195**	245,342

(a) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB1,076,000 (2012: approximately RMB49,528,000) had been credited to the cost of sales.

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

28. Interest-bearing Bank and Other Borrowings

	Group					
	2013			2012		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– secured	**6.15–7.38**	**2014**	**914,584**	5.54–8.31	2013	1,292,761
– unsecured	**9.50**	**2014**	**500,000**	–	–	–
– denominated in HK$, secured	**HIBOR+1.25–HIBOR+4.60**	**2014**	**147,296**	–	–	–
Current portion of long-term bank loans						
– secured	**5.90–8.50**	**2014**	**1,373,931**	5.54–13.50	2013	1,317,596
– denominated in HK$, secured	**HIBOR+4.30–HIBOR+5.00**	**2014**	**121,707**	HIBOR+1.25–HIBOR+4.60	2013	439,963
– denominated in US$, secured	**LIBOR+4.30**	**2014**	**7,492**	–	–	–
– unsecured	**–**	**–**	**–**	5.85–6.65	2013	49,853
			3,065,010			3,100,173
Non-current						
Bank loans						
– secured	**5.90–8.50**	**2015–2026**	**8,986,952**	5.94–11.00	2014–2022	5,777,330
– denominated in HK$, secured	**HIBOR+4.30–HIBOR+5.00**	**2015–2016**	**456,249**	HIBOR+1.25–HIBOR+5.00	2014–2015	689,052
– denominated in US$, secured	**LIBOR+4.30**	**2016**	**82,260**	–	–	–
– unsecured	**9.00**	**2015**	**500,000**	6.71–7.32	2014	446,750
Senior notes						
– denominated in US$, secured (i)	**8.625–13.25**	**2016–2020**	**7,814,895**	12.50–13.25	2016–2017	6,177,283
			17,840,356			13,090,415
			20,905,366			16,190,588

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

	Company					
	2013			2012		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– denominated in HK$, unsecured	**HIBOR+4.30– HIBOR+4.60**	**2014**	**107,109**	–	–	–
Current portion of long-term bank loans						
– denominated in HK$, secured	**HIBOR+4.30– HIBOR+5.00**	**2014**	**121,707**	HIBOR+4.60	2013	78,399
– denominated in US$, secured	**LIBOR+4.30**	**2014**	**7,492**	–	–	–
			236,308			78,399
Non-current						
Bank loans						
– denominated in HK$, secured	**HIBOR+4.30– HIBOR+5.00**	**2015–2016**	**456,249**	HIBOR+4.30– HIBOR+5.00	2014–2015	647,606
– denominated in US$, secured	**LIBOR+4.30**	**2016**	**82,260**	–	–	–
Senior notes						
– denominated in US$, secured (i)	**8.625–13.25**	**2016–2020**	**7,814,895**	12.50–13.25	2016–2017	6,177,283
			8,353,404			6,824,889
			8,589,712			6,903,288

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**3,065,010**	3,100,173	**236,308**	78,399
In the second year	**4,178,880**	3,007,081	**437,645**	140,825
In the third to fifth years, inclusive	**3,323,499**	3,167,051	**100,864**	506,781
Beyond five years	**2,523,082**	739,000	**–**	–
	13,090,471	10,013,305	**774,817**	726,005
Senior notes repayable:				
In the third to fifth years, inclusive	**6,010,787**	6,177,283	**6,010,787**	6,177,283
Beyond five years	**1,804,108**	–	**1,804,108**	–
	7,814,895	6,177,283	**7,814,895**	6,177,283
	20,905,366	16,190,588	**8,589,712**	6,903,288

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

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

In the opinion of the directors of the Company, the carrying amounts of the Group's borrowings approximate to their fair values.

Note:

(i) On 11 August 2010, the Company issued 12.5% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,693,123,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 18 August 2017. The senior notes carry interest at a rate of 12.5% per annum, which is payable semi-annually in arrears on 18 February and 18 August of each year commencing on 18 February 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 12 August 2010 and 19 August 2010.

On 23 March 2011, the Company issued 12.75% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,296,035,000) ("the 2011 Notes"). The 2011 Notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 30 March 2016. The 2011 Notes carry interest at a rate of 12.75% per annum, which is payable semi-annually in arrears on 30 March and 30 September of each year commencing on 30 September 2011. For further details on the 2011 Notes, please refer to the related announcements of the Company dated 23 March 2011, 24 March 2011 and 30 March 2011.

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

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

29. Deferred Tax

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

Deferred tax liabilities

Group

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

Deferred tax assets

Group

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

29. Deferred Tax *(continued)*

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of a subsidiary	Revaluation of investment properties	Withholding taxes	Total
	2012				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	30,330	38,214	693,885	139,720	902,149
Deferred tax charged to the statement of profit or loss during the year (note 10)	6,472	–	158,574	–	165,046
Derecognition of a subsidiary (note 35(a))	–	–	(4,440)	–	(4,440)
Gross deferred tax liabilities at 31 December 2012	36,802	38,214	848,019	139,720	1,062,755

Deferred tax assets

Group

	Depreciation in excess of related depreciation allowance	Provision of LAT	Losses available for offsetting against future taxable profits	Accruals	Government grant	Total
	2012					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	1,659	721,197	22,607	255,425	16,177	1,017,065
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	518	151,466	48,462	54,497	(12,382)	242,561
Transfer	–	–	743	–	–	743
Derecognition of a subsidiary (note 35(a))	–	(25,956)	–	(20,078)	–	(46,034)
Gross deferred tax assets at 31 December 2012	2,177	846,707	71,812	289,844	3,795	1,214,335
Net deferred tax recognised at 31 December 2012						151,580

29. Deferred Tax *(continued)*

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

	Group	
	2013	2012
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**995,798**	966,263
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(909,523)**	(814,683)
	86,275	151,580

The Group has unutilised tax losses of approximately RMB1,044,216,000 (2012: approximately RMB627,781,000) that can be carried forward for five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB672,856,000 (2012: approximately RMB340,533,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2013, unremitted earnings that are subjected to withholding taxes of the Group's subsidiaries established in PRC of approximately RMB3,230,191,000 (2012: approximately RMB2,080,301,000) have not been recognised for withholding taxes.

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

30. Deferred Revenue

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

30. Deferred Revenue *(continued)*

The Group entered into another agreement with another vendor (the "Vendor B") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties B") of RMB11,000,000 to Vendor B, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties B is accounted for as a transaction which generates revenue. As at 31 December 2013, the Transfer Properties B were still under construction and had not been transferred to Vendor B. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the Transfer Properties B.

31. Share Capital

Shares

	2013 **RMB'000**	2012 RMB'000
Authorised: 8,000,000,000 (2012: 8,000,000,000) ordinary shares of HK$0.10 each	**786,113**	786,113
Issued and fully paid: 2,893,150,000 (2012: 2,893,150,000) ordinary shares of HK$0.10 each	**280,485**	280,485

32. Share Option Scheme

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

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

32. Share Option Scheme *(continued)*

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

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

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

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

On 18 December 2009, 30 March 2010 and 26 August 2011, the Company granted 8,457,000, 8,000,000 and 7,351,000 share options, respectively, to the grantees, including the board of directors of the Company and certain employees of the Group. Total of 1,238,000 (2012: 241,000) share options were forfeited during the year and subsequently cancelled and none of the share options were exercised by the grantees as at the date of approval of these financial statements. All the share options granted on 30 March 2010 were forfeited and had been subsequently cancelled in prior years.

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

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

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

Share options granted on 18 December 2009

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

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

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

32. Share Option Scheme *(continued)*

Share options granted on 18 December 2009 *(continued)*

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

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

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

Share options granted on 26 August 2011

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

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

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

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

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

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

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

The fair values of the share options granted on 18 December 2009 and 26 August 2011 determined at the date of grant using the Models were approximately RMB19,938,000 and RMB6,696,000, respectively. The Group recognised a share option expense of approximately RMB1,393,000 (2012: approximately RMB3,474,000) during the year ended 31 December 2013.

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

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

32. Share Option Scheme *(continued)*

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

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

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

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

As at 31 December 2013, the Company had 11,640,000 (2012: 12,878,000) share options outstanding under the Scheme, which had a weighted average exercise price of HK$5.28 (2012: HK$5.29) per share. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,640,000 additional ordinary shares of the Company and additional share capital of approximately HK$1,164,000 (equivalent to approximately RMB915,000) and share premium of approximately HK$60,291,000 (equivalent to approximately RMB47,403,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 11,640,000 share options outstanding under the Scheme, which represented approximately 0.40% of the Company's shares in issue at that date.

33. Reserves

(a) Group

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

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percentage of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2013, the Group appropriated approximately RMB137,308,000 (2012: approximately RMB26,680,000) to these reserve funds in accordance with the relevant laws and regulations in the PRC.

33. Reserves *(continued)*

(b) Company

	Note	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2012		6,615,724	308,006	(995,337)	22,004	105,714	6,056,111
Share option expense	32	–	–	–	3,474	–	3,474
Profit for the year		–	–	–	–	359,780	359,780
Exchange realignment		–	–	870	–	–	870
Proposed final 2012 dividend	12	–	–	–	–	(433,973)	(433,973)
At 31 December 2012 and 1 January 2013		6,615,724	308,006	(994,467)	25,478	31,521	5,986,262
Share option expense	32	**–**	**–**	**–**	**1,393**	**–**	**1,393**
Profit for the year		**–**	**–**	**–**	**–**	**925,430**	**925,430**
Exchange realignment		**–**	**–**	**(115,385)**	**–**	**–**	**(115,385)**
Proposed final 2013 dividend	12	**–**	**–**	**–**	**–**	**(839,014)**	**(839,014)**
At 31 December 2013		**6,615,724**	**308,006**	**(1,109,852)**	**26,871**	**117,937**	**5,958,686**

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

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

34. Investments in Joint Operations

The Group has entered into three (2012: three) joint venture arrangements in the form of joint operations with certain parties, to jointly undertake three (2012: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2013, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Assets	**2,432,395**	1,779,974
Liabilities	**(285,732)**	(119,491)

35. Notes to the Consolidated Statement of Cash Flows

(a) Derecognition of subsidiaries

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

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

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

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

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

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

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

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

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

(a) Derecognition of subsidiaries *(continued)*

(ii) *(continued)*

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

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

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

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

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

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

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

(iv) During the year ended 31 December 2012, the Group lost sole control of Suzhou Kaiyu, and Suzhou Kaiyu was derecognised as a subsidiary of the Group, further details of which are disclosed in note 19(ii) to the financial statements.

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

(a) Derecognition of subsidiaries *(continued)*

(iv) *(continued)*

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

	2012 RMB'000
Cash and bank balances	218,496
Properties under development	789,516
Completed properties held for sale	391,625
Trade receivables	217
Prepayment, deposits and other receivables	1,305,830
Property, plant and equipment	52,841
Investment properties	377,543
Land use rights	93,683
Deferred tax assets	46,034
Trade payables	(119,676)
Other payables and accruals	(281,353)
Taxes payable	(198,986)
Interest-bearing bank and other borrowings	(901,658)
Deferred tax liabilities	(4,440)
Net assets value derecognised	1,769,672

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

	2012 RMB'000
Cash and bank balances derecognised	218,496
Net cash outflow of cash and cash equivalents in respect of the derecognition of Suzhou Kaiyu	218,496

36. Contingent Liabilities

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

		Group	
		2013	2012
	Notes	**RMB'000**	RMB'000
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	(a)	**4,846,403**	4,578,445
Guarantees given to banks in connection with bank loans granted to joint ventures		**4,360,992**	3,350,175
Guarantee given to a bank in connection with a bank loan granted to an associate		**28,626**	–
Guarantee given to a bank in connection with a bank loan granted to the Vendor A	(b)	**–**	700,000
		9,236,021	8,628,620

Notes:

(a) As at 31 December 2013 and 2012, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2013 and 2012 for the guarantees.

(b) Prior to entering into the agreement in respect of the transfer of the equity interest of Guangzhou Lihe, the Vendor A had obtained a bank loan in the amount of RMB700,000,000. The land use right of Guangzhou Lihe had been pledged to the bank for this bank facility. The Group has agreed to provide a guarantee in favour of the bank to secure this bank loan so as to procure the discharge of the pledge of the land use right held by Guangzhou Lihe.

Pursuant to the aforementioned agreement, (i) the Group is not obligated to transfer the properties to the Vendor A in the event that the Vendor A fails to deliver the land use right certificates of Guangzhou Lihe upon the discharge of the pledge of Guangzhou Lihe's land; and (ii) the Group is entitled to deduct from the balance of the consideration of RMB700,000,000 on a dollar-to-dollar basis any loss or damage suffered by it as a result of the Vendor A's failure or inability to repay the bank loan for more than three months. In such an event, the shareholding of the new company to be transferred or the gross floor area of the apartments to be built on Guangzhou Lihe's land will be adjusted downward accordingly. Based on these agreed terms, the board of directors of the Company considers that the chance of the Group suffering loss is minimal and therefore no provision had been made in the financial statements for the years ended 31 December 2012 for the guarantee.

36. Contingent Liabilities *(continued)*

	Company	
	2013	2012
	RMB'000	RMB'000
Guarantees given to banks in connection with bank loans granted to subsidiaries	**6,770,000**	2,640,583
Guarantees given to banks in connection with bank loans granted to joint ventures	**3,504,334**	–
	10,274,334	2,640,583

37. Pledge of Assets

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

		Group	
		2013	2012
	Notes	**RMB'000**	RMB'000
Buildings	14	**2,394,365**	323,494
Investment properties	15	**3,313,453**	3,671,041
Land use rights	16	**158,770**	105,620
Properties under development	20	**9,034,845**	9,411,937
Completed properties held for sale	21	**27,936**	161,619
Time deposits	25	**–**	401,160
		14,929,369	14,074,871

(b) As at 31 December 2013 and 2012, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.

(c) As at 31 December 2013 and 2012, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

38. Operating Lease Arrangements

(a) As lessor

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

38. Operating Lease Arrangements *(continued)*

(a) As lessor *(continued)*

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**117,682**	97,982
In the second to fifth years, inclusive	**229,139**	126,000
After five years	**22,899**	17,704
	369,720	241,686

(b) As lessee

The Group and the Company lease certain of their office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years.

At 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**10,891**	13,125	**2,941**	1,992
In the second to fifth years, inclusive	**5,660**	4,792	**5,334**	–
	16,551	17,917	**8,275**	1,992

39. Commitments

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

	Group	
	2013	2012
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**173,243**	369,914
Properties being developed by the Group for sale	**4,652,122**	3,363,737
Investment properties	**644,723**	186,541
	5,470,088	3,920,192

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

	Group	
	2013	2012
	RMB'000	RMB'000
Contracted, but not provided for	**2,311,448**	2,106,368

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

40. Related Party Transactions

(a) Outstanding balances with related parties:

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

(b) Other transactions with related parties

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

(c) Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Short term employee benefits	**39,042**	28,697
Equity-settled share option expense	**267**	1,825
Post-employment benefits	**569**	589
Total compensation paid to key management personnel	**39,878**	31,111

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

41. Financial Instruments by Category

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

Financial assets – Loans and receivables

	Group	
	2013 RMB'000	2012 RMB'000
Trade receivables (note 22)	**166,695**	86,414
Financial assets included in prepayments, deposits and other receivables (note 23)	**1,864,308**	796,466
Advances to associates (note 18)	**679,751**	597,407
Advances to joint ventures (note 19)	**4,297,845**	1,303,875
Due from a joint venture (note 19)	**23**	–
Restricted cash (note 25)	**1,444,243**	1,517,229
Cash and cash equivalents (note 25)	**9,414,483**	4,927,197
	17,867,348	9,228,588

41. Financial Instruments by Category *(continued)*

Financial liabilities – Financial liabilities at amortised cost

	Group	
	2013	2012
	RMB'000	RMB'000
Trade payables (note 26)	**3,333,315**	3,107,723
Financial liabilities included in other payables and accruals (note 27)	**2,738,989**	2,718,749
Due to joint ventures (note 19)	**6,401,540**	2,454,234
Interest-bearing bank and other borrowings (note 28)	**20,905,366**	16,190,588
	33,379,210	24,471,294

Financial assets – Loans and receivables

	Company	
	2013	2012
	RMB'000	RMB'000
Due from subsidiaries (note 17)	**10,616,651**	9,892,377
Advances to associates (note 18)	**349,360**	298,828
Advances to joint ventures (note 19)	**729,557**	745,161
Financial assets included in prepayments, deposits and other receivables (note 23)	**119,078**	75,304
Due from a subsidiary (note 17)	**2,717,979**	1,275,148
Cash and cash equivalents (note 25)	**379,389**	332,805
	14,912,014	12,619,623

Financial liabilities – Financial liabilities at amortised cost

	Company	
	2013	2012
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals (note 27)	**304,195**	245,342
Due to joint ventures (note 19)	**772,636**	548,195
Interest-bearing bank and other borrowings (note 28)	**8,589,712**	6,903,288
	9,666,543	7,696,825

42. Fair Value and Fair Value Hierarchy of Financial Instruments

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

Group

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	**20,905,366**	16,190,588	**20,905,366**	16,190,588

Company

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	**8,589,712**	6,903,288	**8,589,712**	6,903,288

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

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

The Group and the Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2013 and 2012.

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

During the years ended 31 December 2013 and 2012, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**20,905,366**	**–**	**20,905,366**

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	16,190,588	–	16,190,588

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**8,589,712**	**–**	**8,589,712**

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	6,903,288	–	6,903,288

43. Financial Risk Management Objectives and Policies

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

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

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

Business risk

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

Interest rate risk

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

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

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

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

Interest rate risk *(continued)*

	Group		
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2012			
RMB	200	(149,408)	–
Hong Kong dollar	200	(18,233)	–
RMB	(200)	149,408	–
Hong Kong dollar	(200)	18,233	–

* Excluding retained profits

Foreign currency risk

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

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

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

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

Foreign currency risk *(continued)*

	Group		
	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2012			
If RMB weakens against Hong Kong dollar	(5)	N/A	(21,174)
If RMB strengthens against Hong Kong dollar	5	N/A	21,174
If RMB weakens against United States dollar	N/A	(5)	(291,130)
If RMB strengthens against United States dollar	N/A	5	291,130

Credit risk

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

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

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

Liquidity risk

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

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

Liquidity risk *(continued)*

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

Group

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

	2012					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	646,742	3,888,288	15,514,675	823,817	20,873,522
Trade payables	3,107,723	–	–	–	–	3,107,723
Other payables and accruals	2,718,749	–	–	–	–	2,718,749
Due to joint ventures	2,454,234	–	–	–	–	2,454,234
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	4,578,445	–	–	–	–	4,578,445
Guarantees given to a bank in connection with bank loans granted to joint ventures	3,350,175	–	–	–	–	3,350,175
Guarantee given to a bank in connection with a bank loan granted to the Vendor A	700,000	–	–	–	–	700,000
	16,909,326	646,742	3,888,288	15,514,675	823,817	37,782,848

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

Liquidity risk *(continued)*

Company

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**–**	**313,489**	**892,878**	**8,821,098**	**1,980,129**	**12,007,594**
Other payables and accruals	**304,195**	**–**	**–**	**–**	**–**	**304,195**
Due to a joint venture	**772,636**	**–**	**–**	**–**	**–**	**772,636**
Guarantees given to banks in connection with bank loans granted to subsidiaries	**6,770,000**	**–**	**–**	**–**	**–**	**6,770,000**
Guarantees given to banks in connection with bank loans granted to joint ventures	**3,504,334**	**–**	**–**	**–**	**–**	**3,504,334**
	11,351,165	**313,489**	**892,878**	**8,821,098**	**1,980,129**	**23,358,759**

	2012					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	255,239	688,427	9,380,949	–	10,324,615
Other payables and accruals	245,342	–	–	–	–	245,342
Due to a joint venture	548,195	–	–	–	–	548,195
Guarantees given to banks in connection with bank loans granted to subsidiaries	2,640,583	–	–	–	–	2,640,583
	3,434,120	255,239	688,427	9,380,949	–	13,758,735

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. Capital includes share capital and reserves attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Net borrowings	**10,046,640**	9,746,162
Total equity	**17,842,162**	15,353,379
Gearing ratio	**56.3%**	63.5%

44. Subsequent Event

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

(b) On 28 February 2014, the Company announced that the outstanding 12.75% senior notes due 2016 will be redeemed in full on 30 March 2014 at a redemption price to 106.375% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 March 2014. For further details, please refer to the related announcement of the Company dated 28 February 2014.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 17 March 2014.

Project at a Glance

31 December 2013

Major Properties held by the Group

Property	The Group's interest (%)	Location	Site area attributable to the Group's interest ('000 sq.m.)	Total GFA attributable to the Group's interest ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
The Summit	100	Zengcheng City, Guangzhou	349	483	Residential, villas, serviced apartments, office and retail	N/A
The Sapphire	100	Xiangcheng District, Suzhou	254	681	Residential, serviced apartments and retail	N/A
The Vision of the World	100	Western High-Tech Zone, Chengdu	124	537	Residential, serviced apartments and retail	N/A
Pearl Coast	100	Lingshui, Hainan	531	95	Residential and villas	N/A
L7	100	Pearl River New Town, Guangzhou	5	37	Serviced apartments and retail	N/A
Major properties under development						
Chengdu Cosmos	100	South New District, Chengdu	137	756	Residential, hotel, serviced apartments, office and retail	2014–2016
Fragrant Seasons	100	Shunyi District, Beijing	158	177	Residential, villas, serviced apartments and retail	2014
The Summit	100	Zengcheng, Guangzhou	1,622	2,242	Residential, villas, serviced apartments, office and retail	2014–2019
Shanghai Emerald	100	Jiading District, Shanghai	77	97	Residential and retail	2014
Suzhou Emerald	100	Wuzhong District, Suzhou	64	160	Residential and retail	2014–2016
Pudong Project	100	Pudong New District, Shanghai	26	78	Office and retail	2014–2015
Vision of the World (formerly called Shanghai Fengxian Nanqiao)	100	Nanqiao New Town, Shanghai	104	236	Residential, serviced apartments and retail	2014–2015
Guangzhou Ta Gang Project	100	Zengcheng, Guangzhou	137	344	Residential, villas and retail	2014–2016

Property	The Group's interest) (%)	Usage	
Major investment properties			
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and retail	Medium term lease

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Consolidated Results

	Year ended 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Revenue	4,266,572	7,465,911	10,122,595	9,676,422	**9,468,002**
Profit before tax	1,269,482	2,507,663	3,979,935	3,765,987	**3,703,803**
Income tax expenses	(548,025)	(1,225,889)	(1,876,028)	(1,333,017)	**(954,550)**
Profit for the year	721,457	1,281,774	2,103,907	2,432,970	**2,749,253**
Attributable to:					
Owners of the Company	720,078	1,281,772	2,103,368	2,406,368	**2,749,769**
Non-controlling interests	1,379	2	539	26,602	**(516)**
	721,457	1,281,774	2,103,907	2,432,970	**2,749,253**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	RMB26 cents	RMB44 cents	RMB73 cents	RMB83 cents	**RMB95 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
ASSETS					
Non-current assets	8,031,152	15,114,217	16,462,845	19,165,733	**25,139,681**
Current assets	20,534,034	24,920,115	28,123,458	29,698,727	**36,450,703**
Total assets	28,565,186	40,034,332	44,586,303	48,864,460	**61,590,384**
LIABILITIES					
Current liabilities	10,753,223	15,431,641	18,990,505	18,894,983	**24,987,343**
Non-current liabilities	7,403,640	13,008,419	11,902,780	14,616,098	**18,760,879**
Total liabilities	18,156,863	28,440,060	30,893,285	33,511,081	**43,748,222**
EQUITY					
Equity attributable to owners of the Company	10,404,669	11,584,266	13,490,805	15,281,531	**17,817,508**
Non-controlling interests	3,654	10,006	202,213	71,848	**24,654**
Total equity	10,408,323	11,594,272	13,693,018	15,353,379	**17,842,162**

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