恒大地產集團®
EVERGRANDE REAL ESTATE GROUP

Evergrande Real Estate Group Limited
恒大地產集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 3333

# ANNUAL REPORT 2014

EVERGRANDE

# CORE ADVANTAGE

First - class size • First - class brands • First - class team

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## QINGHAI PROVINCE
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## XINJIANG UYGHUR AUTONOMOUS REGION
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303 Evergrande Atrium Yi'ning
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## TIBET ZANG AUTONOMOUS REGION
305 Yuan Zang Project Linzhi

# Board of Directors and Committees

## CHAIRMAN OF THE BOARD OF DIRECTORS

Dr. Hui Ka Yan

## EXECUTIVE DIRECTORS

Dr. Xia Haijun
Mr. Xu Wen
Mr. Tse Wai Wah
Mr. Huang Xiangui
Ms. He Miaoling

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

## AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. He Qi
Ms. Xie Hongxi

## REMUNERATION COMMITTEE

Mr. He Qi *(Chairman)*
Dr. Hui Ka Yan
Ms. Xie Hongxi

## NOMINATION COMMITTEE

Dr. Hui Ka Yan *(Chairman)*
Mr. He Qi
Mr. Chau Shing Yim, David

## AUTHORISED REPRESENTATIVES

Dr. Hui Ka Yan
Mr. Fong Kar Chun, Jimmy

# Corporate and Shareholder Information

## HEAD OFFICE

43rd Floor, Evergrande Center
No. 78 Huangpu Avenue West
Guangzhou
Guangdong Province
The PRC
Postal code: 510620

## PLACE OF BUSINESS IN HONG KONG

Suites 1501-1507, One Pacific Place,
88 Queensway, Hong Kong

## WEBSITE

www.evergrande.com

## COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

Agricultural Bank of China Limited
China CITIC Bank Corporation Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited
China Minsheng Banking Corp., Ltd.
China Merchants Bank Co., Ltd
China Everbright Bank Company Limited
Industrial Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd
Bank of Communications Co., Ltd.
Bank of Jiangsu Co., Ltd.
China PingAn Bank Co., Ltd.
Hua Xia Bank Co., Ltd.
Postal Savings Bank of China Co., Ltd.
China Development Bank Co., Ltd.
China Guangfa Bank Co., Ltd.
Bank of Beijing Co., Ltd.
Guangzhou Rural Commercial Bank Co., Ltd.
China Zheshang Bank Co., Ltd.
Dongying Bank Co., Ltd.
Bank of Ningbo Co., Ltd.
The Bank of East Asia (Hong Kong) Limited
Huishang Bank Co., Ltd.

## SHAREHOLDER INFORMATION

### Listing Information

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange")
The bonds of the Company are quoted on Singapore Stock Exchange Limited ("Singapore Stock Exchange")

## SECURITIES CODES

### Stock

HKEX: 3333

### Bonds

RMB3,700,000,000 US$ Settled 9.25% Senior Notes due 2016

| | |
|---|---|
| Common Code: | 057638249 |
| ISIN: | XS0576382492 |

1,500,000,000 US$8.75% Senior Notes due 2018

| | |
|---|---|
| CUSIP: | 300151AB3/G3225AAD5 |
| Common Code: | 098624279/098129359 |
| ISIN: | US300151AB32/USG3225AA057 |

## INVESTOR RELATIONSHIP

For enquiries, please contact:
Investor relationship department
Email: evergrandeIR@evergrande.com
Telephone: (852) 2287 9218/2287 9207

## FINANCIAL CALENDAR

| | |
|---|---|
| Announcement of final results: | 30 March 2015 |
| Closure of register of members to ascertain shareholders' entitlement to attend the annual general meeting ("AGM"): | 10 June 2015 to 12 June 2015 |
| AGM: | 12 June 2015 |
| Distribution of final dividend: | 3 July 2015 |

# Financial Summary

## SUMMARY OF BALANCE SHEET

As at 31 December

| | 2014 | 2013 | Changes |
|---|---|---|---|
| Total cash (including cash and cash equivalents and restricted cash) (RMB Billion) | 59.50 | 53.65 | 10.9% |
| Total assets (RMB Billion) | 474.46 | 348.15 | 36.3% |
| Borrowings included in current liabilities (RMB Billion) | 79.66 | 35.80 | 122.5% |
| Borrowings included in non-current liabilities (RMB Billion) | 76.40 | 73.02 | 4.6% |
| Capital and reserves attributable to shareholders of the Company (RMB Billion) | 51.12 | 48.59 | 5.2% |
| Total borrowings/total assets | 32.9% | 31.3% | 1.6 percentage points |
| Net borrowings[1]/total equity | 85.9% | 69.5% | 16.4 percentage points |

1 Net borrowings equals to total borrowings after deducting cash and cash equivalents and restricted cash.

## SUMMARY OF INCOME STATEMENT

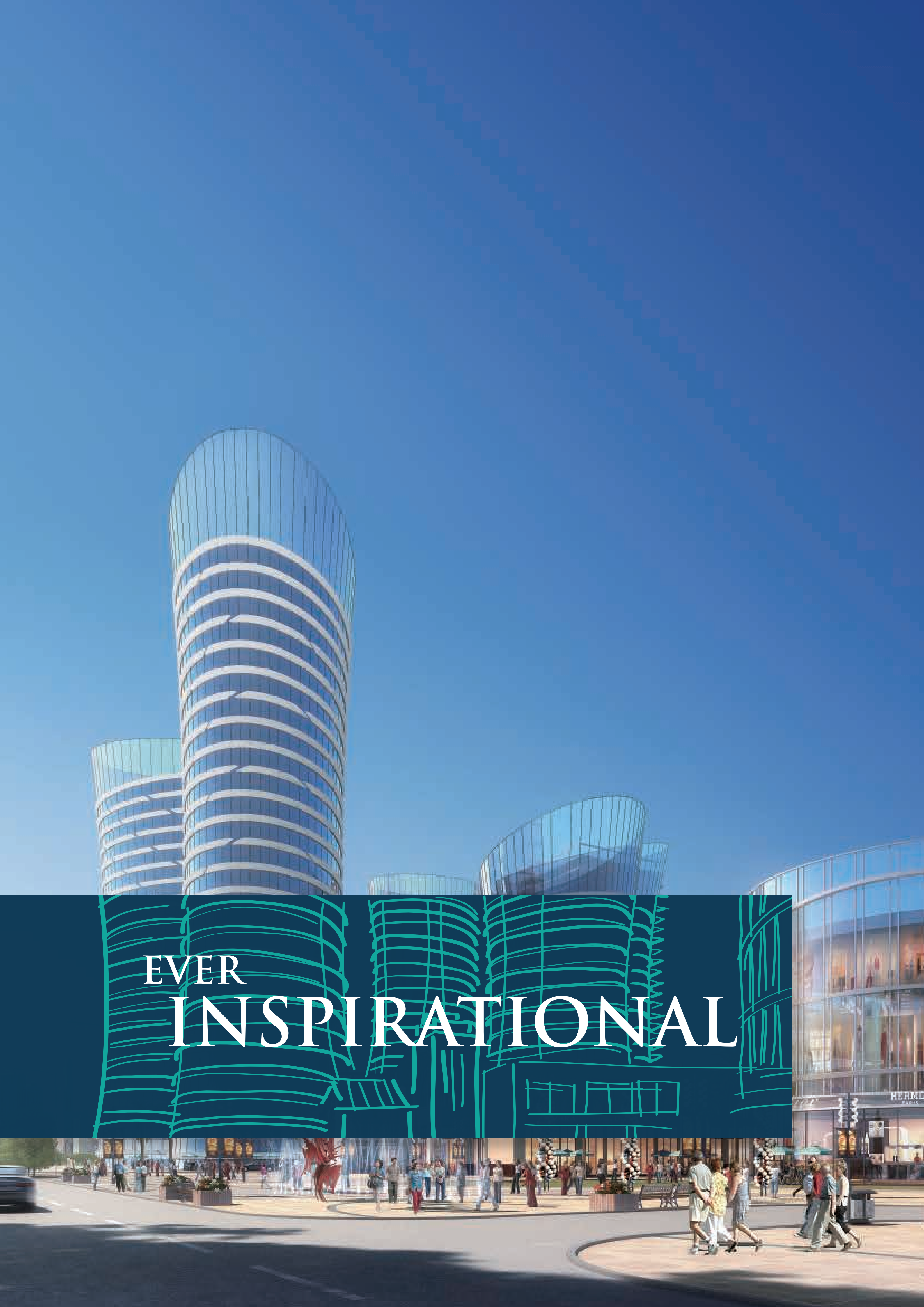
For the year ended 31 December

| | 2014 | 2013 | Changes |
|---|---|---|---|
| Revenue (RMB Billion) | 111.40 | 93.67 | 18.9% |
| Gross profit (RMB Billion) | 31.78 | 27.65 | 14.9% |
| Gross profit margin | 28.5% | 29.5% | –1 percentage point |
| Net Profit (RMB Billion) | 18.02 | 13.71 | 31.4% |
| Profit from core businesses excluding the revaluation gains on investment properties (RMB Billion) | 12.04 | 10.31 | 16.8% |
| Profit margin from core businesses excluding the revaluation gains on investment properties | 10.8% | 11.0% | –0.2 percentage points |
| Profit attributable to shareholders (RMB Billion) | 12.60 | 12.61 | –0.1% |
| Basic earnings per share (RMB) | 0.854 | 0.789 | 8.2% |

## OPERATIONAL PERFORMANCE COMPARISON SINCE LISTING IN 2009

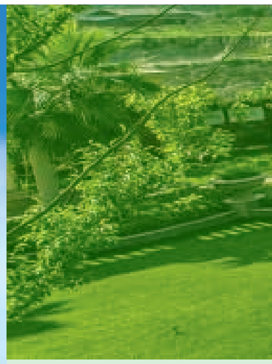
| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2009-2014 Average Annual Growth Rate |
|---|---|---|---|---|---|---|---|---|
| Contracted Sales | Target | — | 36.0 | 50.0 | 80.0 | 100.0 | 110.0 | — |
| (RMB Billion) | Actual | 30.3 | 50.42 | 80.39 | 92.32 | 100.40 | 131.51 | +66.8% |
| Contracted Sales ASP (RMB/sq.m) | | 5,375 | 6,394 | 6,590 | 5,962 | 6,741 | 7,227 | +6.9% |
| Net Profit (RMB Billion) | | 1.12 | 8.02 | 11.73 | 9.18 | 13.71 | 18.02 | +301.8% |
| Core Business Profit (RMB Billion) | | 0.29 | 5.51 | 8.61 | 6.20 | 10.31 | 12.04 | +810.3% |
| Land Reserves (million sq.m) | | 55 | 96 | 137 | 140 | 151 | 147 | +33.5% |

# Report of
# CHAIRMAN



# EVER
# INSPIRATIONAL

# REPORT OF CHAIRMAN



**Hui Ka Yan**
*Chairman*

## DEAR SHAREHOLDERS,

I am pleased to present the report of Evergrande Real Estate Group Limited ("Evergrande" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014. Turnover and gross profit of the Group for the year amounted to RMB111.4 billion and RMB31.8 billion respectively, representing year-on-year growth of 18.9% and 14.9% respectively. Net profit was RMB18.0 billion, representing year-on-year growth of 31.4%. Return on shareholders' equity is 25.3%. Basic earnings per share was RMB0.854 and proposed dividend was RMB0.43 per share.

**"IN ORDER TO RECIPROCATE THE TRUST AND SUPPORT OF SHAREHOLDERS, THE BOARD OF DIRECTORS PROPOSED TO DISTRIBUTE A FINAL DIVIDEND OF RMB0.43 PER SHARE FOR 2014, SUBJECT TO APPROVAL AT THE GENERAL MEETING OF THE GROUP."**

## BUSINESS REVIEW

In 2014, the real estate market in the PRC continued to run at a vigorous momentum. The transaction volume of commodity housing nationwide reached RMB7,629.2 billion[1], the second highest record in the history and only lower than that in 2013. However, as a result of the accelerated decrease of the GDP growth, tightened currency policy and restrictions on purchase and borrowing in the PRC, the transaction volume failed to exceed that in last year, which indicates a sign of adjustments and transformations and a signal of bottlenecks. The area of commodity housing sold nationwide dropped by 7.6%, sales volume dropped by 6.3%, while the average transaction price increased by 1.4% and the area for sale increased by 26.1%[2] as compared with the corresponding period of the previous year.

Facing to the declining transaction trend, local governments loosened the policy of restriction on purchase and borrowing successively since May 2014. As at the end of 2014, among the 46 cities that had published the policy of restriction on purchase and borrowing, only 5 cities, namely Beijing, Shanghai, Guangzhou, Shenzhen and Sanya, still continued implementing such policy. At the end of September 2014, the central government started to cultivate the rigid demand for purchasing house and subsequently loosened the definition of first time buyers, relaxed conditions for housing provident fund loans and lowered interest rates for deposits and loans. The market began to recover and transaction volume increased by virtue of those measures. However, differentiation trend among cities further deepened. The area sold in major cities has reached a new record in December 2014, increased by 21.2% as compared to that in November 2014 and 9.8% as compared to the corresponding period of 2013. 34 of the major cities recorded an increase in area sold as compared to November 2014, while other cities still recorded a decrease[3].

Encountering the unusual and significant adjustment and the complicated condition which is rapidly changing, the Board was devoted to capture the opportunities in the market through constantly strengthening the principal business and foundation of real estate and optimizing the regional layout of residential property projects by leveraging the strong execution of the Group. The major operation indicators continued to increase: contracted sales for the whole year set a new record of RMB131.5 billion, representing an increase of 31.0% as compared to the previous year and 119.6% of the annual target; GFA of contracted sales was 18.20 million square meters throughout the year, representing a year-on-year growth of 22.2%; the GFA on the land reserves of the Group was 147 million square meters and the accumulated average cost was RMB997 per square meter. The area under construction was 41.35 million square meters while 274 projects were under construction as at 31 December 2014. As at 31 December 2014, the Group had total cash (including cash and cash equivalents and restricted cash) of RMB59.5 billion.

1 Source: "National Real Estate Development and Sales for 2014" issued by the National Bureau of Statistics of China
2 Source: "National Real Estate Development and Sales for 2014" issued by the National Bureau of Statistics of China
3 Source: "China and Major Cities Real Estate Market Report in 2014" issued by China Index Academy

## Land Reserves

**The Group focused on sustainable profitability, selected quality land reserves for replenishment, and balanced the regional layout of its projects among first-, second- and third-tier cities better.**

During the year, the Group acquired a gross floor area of 8.41 million square meters as land reserves for its new projects. The Group acquired 17 new projects, and is also making further acquisition for the land in the surrounding area of 7 of its existing projects. Among the newly acquired projects, 3 are located in first-tier cities, and 10 in second-tier cities. The number of the new projects in the first- and second-tiers cities account for 76.5% of the number of all the new projects, representing an increase of 25 percentage points as compared to that of 2013. The main purpose of these acquisitions was to further optimize the regional layout of the projects among first- to third-tier cities, with an objective of improving our overall profitability. Newly acquired projects cover 14 cities, with a majority of them located in Beijing, Shenzhen, Chengdu, Taiyuan, Changsha, Nanchang, Changchun, Lanzhou, Dalian, Dongguan and Chaozhou. The cost of newly acquired land reserves increased to RMB2,588 per square meter as the new projects are all located in the centre area of the cities.

Completed construction occupied 20.63 million square meters of the Group's land reserves, and the total land reserves balance at the end of 2014 was 147 million square meters, representing a 2.6% year-on-year decrease with decreased area of 3.62 million square meters. The land reserves of the Group are located in 147 cities in China and cover all of the first-tier cities and most provincial capital cities in China. We have 305 projects, with 46.9% of them located in the first- and second-tier cities. The accumulated average cost of land reserves was approximately RMB997 per square meter, which was relatively low in the industry.

The Group leverages on cooperations with other parties to acquire new projects for the purpose of enhancing the capital utilization rate. As at 31 December 2014, 78 projects were carried out through cooperations with other parties which resulted in an accumulative reduction in land premium payment of RMB59.8 billion.

## Contracted Sales

**With the increasing contracted sales price, volume and record-breaking sales amount, the Group successfully achieved its full-year target.**

During the year, the volume and the area of the Group's contracted sales increased by 31.0% and 22.2%, respectively, as compared with last year. The average transaction price increased by 7.2% to RMB7,227 per square meter as compared with last year.

The unrivalled sales performance is mainly attributable to the Group's far-sighted optimization of the regional layout of its projects, upgrading its products, standardization of decoration as well as its flexible and practical sales strategy and selling price. In addition, the Group marketed certain commercial area and parking lots at appropriate time, which contributed to the increase in the sales volume and price as compared with last year. The average single-month trading price of the Group exceeded RMB6,500 per square meter in 11 months in 2014, and the price further increased to RMB8,347 per square meter in June 2014. Single-month sales volume in 8 months in 2014 exceeded RMB10 billion. The Board believes that the increasing selling price and sales amount are favorable for maintaining the net profit margins of the major business of the Group.

During the year, the Group launched 53 new projects for sale which are located in 39 cities, including Beijing, Guangzhou, Hangzhou, Hefei, Changsha, Chengdu, Chongqing, Haikou, Wuhan, Hangzhou, Shenyang, Harbin, Xi'an, Lanzhou, Dalian, Ningbo, Dongguan and Yangzhou. It entered into 16 of the 39 cities for the first time. We have 276 projects for sale, which are located in 141 different cities, including 3 first-tier cities, 26 second-tier cities and 112 third-tier cities.

For the whole year, the contracted sales amounted to RMB131.5 billion, with RMB12.4 billion in the first-tier cities, accounting for 9.4% of the total contracted sales, and RMB60.6 billion in the second-tier cities, accounting for 46.1% of the total contracted sales. The aggregate sales volume in the first- and second-tier cities as a percentage of that of the Group increased by 11.4 percentage points as compared to last year, which surpassed the sales volume in the third-tier cities again. The above data indicates a more balanced distribution of sales amount among first-, second- and third-tier cities as well as the strategy of optimizing regional layout of the projects since last year achieved remarkable results.

## Property Development

**The Group arranged reasonable construction planning and focused on the coordination between sales planning and construction completion planning. Moreover, the Group vigorously promoted product upgrades, implemented the standardization strategy, and enhanced its market competitiveness.**

During the year, the new construction commencement GFA, completed GFA and GFA under construction was 22.50 million square meters, 20.63 million square meters and 41.35 million square meters, representing an increase of 13.2%, 6.5% and 4.7%, respectively, as compared to the previous year.

During the year, the Group launched 53 new projects, representing a year-on-year rise of 20.5%. Most of the new projects are premium projects acquired during the year of 2013. The Group delivered a total of 238 projects for the whole year with a transaction amount of RMB107.5 billion. The GFA of properties delivered was 16.83 million square meters. The precise and rigorous development plan provided adequate resources for sales, accelerated the turnover of capital and secured the delivery amount, which is crucial to revenue recognition.

As at 31 December 2014, the Group obtained construction certificates for 274 of its 305 projects. Among 305 projects, 38 projects have not been launched for sale, a majority of which will be ready for sale in 2015. The Board considers that its industry-leading scale of development and construction and the saleable area will provide a solid foundation for the Group to record revenue after delivery and ensure strong contracted sales in the future.

## Financial Resource

**The Group continued to uphold a prudent financial policy of "cash is king", endeavored to raise the cash balance and repaid the principals and interests of overseas senior notes by batch.**

Given that the industry entered into adjustment period during the year, the Group continuously strengthen its capital strength so as to prevent potential market risk. In 2014, the Group collected sales proceeds of over RMB112.0 billion and issued project-based perpetual bonds, which provided an additional cash inflow of over RMB26.3 billion and effectively satisfied the capital needs for the new projects in the first- and second-tier cities. The abundant financial resources further enhanced the sales scale and profit. Moreover, the Group lowered the pressure of capital payment by leveraging its reputable brand image to clinch better contract terms, payment methods and payment conditions.

Through rigorous and practical capital program, the Group repaid the principal and interest of the senior notes of RMB5.55 billion which were denominated in RMB and settled by US dollar in January 2014 as scheduled. In addition, the Group early redeemed the senior notes of US$1.35 billion due on 27 January 2015 with its own capital in December 2014 at redemption price, demonstrating the Group's strong financial position.

As at 31 December 2014, the total cash of the Group amounted to RMB59.5 billion, representing a year-on-year increase of 10.8%. Leveraging the solid cooperative relationships with large-scale commercial banks in China, net increase of the Group's borrowings amounted to RMB47.3 billion during the year with unutilized banking facilities reaching RMB51.0 billion as at 31 December 2014. Together with the total cash of RMB59.5 billion as at 31 December 2014, the Group's available funds amounted to RMB110.5 billion.

## Premium Standardization

During the year, in order to respond to the recent changes in the market, the Group further enriched its product mix and comprehensively upgraded its standards for layouts, facades and decoration. The Group carried out 108 standardization projects, including 7 compilation projects for its design and technique documents, development of 20 standardized units, upgrading of 20 decoration plans and construction plans, 10 standardization projects for public facilities and 10 large-scale investigation and research projects of standardization with respect to intellectual households, interior decoration and floor heating design, and compiled and revised 42 individual design standards. The product designs after optimization are more tailored to end user market demand and housing improvement needs. The approaches adopted in architectural design, material supply and construction methods function in an "assembly-line" style, and helped to shorten the design cycle, guaranteed the design quality and improved the development efficiency.

The Group aggregately reduced approximately RMB1.657 billion in construction costs and operation expenses during the year by optimizing over 5,140 design solutions involving significant costs. The Group also reduced its procurement cost by RMB335 million when the procurement prices of decoration materials experienced a steady decrease of 2.75% as compared to the prices in 2013. At the same time, we established closer cooperative relationships with 17 suppliers, and expect to further reduce its procurement costs by approximately RMB350 million in the next three years. The successful implementation of the above standardization strategy represents the premium strategy alliance established by the Group entered into the harvest period. This helped to reduce the impact of increased costs over the gross profit margin and to bring values for shareholders.

## CORPORATE SOCIAL RESPONSIBILITY

The Group accumulatively provided high quality residential properties with good value for hundreds and thousands of households in the past 17 years, having completed an aggregated gross floor area of more than 70 million square meters of various properties. While developing its own business, the Group has also donated over RMB2 billion to charitable activities. As at the end of 2014, the project under construction with a gross floor area of 41.35 million square meters provided more than 700,000 jobs for workers in China and made a contribution to the local economic development and employment.

In 2014, the Group has always been actively committed to social responsibilities and deeply devoted to fully supporting charitable activities, such as livelihood, sports and environmental protection. In March, the Group donated RMB30 million to China Children and Teenagers' Fund to support the development of child charities in China, which shows the Group's perseverance in fighting poverty and helping needy people. The Group also actively participated in disaster relief activities. The Group donated and delivered 12 million bottles of Evergrande spring water in 500,000 cartons to victims in the disaster area in Lanzhou immediately after the occurrence of the water pollution incidents, and all bottled water were distributed within 65 hours. In July, Hainan Province suffered a disaster of typhoon. The Group made a donation of RMB10 million immediately after the disaster to help the home rebuilding for victims. In August, Yunnan Province suffered from an earthquake, the Group donated RMB10 million in cash and 2 million bottles of Evergrande spring water to victims in disaster area in Ludian County, Zhaotong City, Yunnan Province through China Foundation for Poverty Alleviation.

With respect to environmental construction, the Group always adopts strategies in combination of technology innovation and industrial development, insisting on delivering well-decorated properties to purchasers in order to reduce the second environment pollution due to decoration. By cooperation with hundreds of strategic partners in upstream and downstream industry chains, the Group applied advanced technologies for all procedures from design to construction, thus promoted the product quality and environment protection. In 2014, the Group further optimized the major types of unit and successfully designed 20 new types of unit conformed to modern requirements, and enhanced regional suitability, quality and efficiency of environmental protection of properties. The Group also established Harvard — Evergrande Environmental Construction Research Center (哈佛恒大綠色建築研究中心) with Harvard University, and jointly established a research institute with Tsinghua University to carry out study on sustainable and efficient environmental construction.

With respect to sports and culture aspects, the Group strategically cooperates with Alibaba to establish an international first-class football club. Evergrande Football Club is the first football team which has obtained four consecutive championships in China Football Association Super League. Evergrande Football School established a branch school in Spain and adopted educational pattern used in Royal Madrid Soccer School to cultivate talents for the country. For the cultural industry, cultural companies under the Group has produced several blockbuster movies, and successfully held 24 "Evergrande Starlight" music carnivals and large-scale parties under the name of Evergrande Spring, which promoted the development of China's cultural undertakings.

## AWARDS

During the year, the Group, again, won multiple awards. In the assessment of the Top 500 China Real Estate Developers, the Group ranked second in the Top 500 China Real Estate Developers for four consecutive years, first in China Real Estate Development Enterprise Comprehensive Development Top 10, first in the Top 10 City Coverage's Real Estate Developers in China, first in Top 10 Real Estate Development Enterprises in China in terms of Innovation Capability, first in China Real Estate Development Enterprise Tourism Real Estate Top 10 and first in the Top 10 China Real Estate Developers by Corporate Social Responsibility. In the selection of the "Top 10 Listed Real Estate Developers in China by Integrated Capability 2014" jointly held by the corporate research institute under the State Development Research Centre of the State Council, the real estate research institute of Tsinghua University and the China Index Academy, the Group is one of the companies in Top 10 China Real Estate Brand Value, and ranked in the first in the Top 10 China Real Estate Companies Listed in Hong Kong by Integrated Capability for three consecutive years and first in the Top 10 Investment Value for the third time.

## BUSINESS OUTLOOK

Premier Li Keqiang emphasized that the urban population in the PRC increased by 18 million and the urbanization rate increased by 1.04% to around 55% in 2014; the modernization of China is coupled with urbanization, which will definitely lead to a rigid demand for real estate in the long term, and adjustment to the real estate market within a certain period is normal.

Looking forward to 2015, China's real estate market will enter into a new normal position under the combined effect of law of supply and demand, pricing and affordability. Administrative intervening measures may be loosened continuously, and differentiation in regional markets will coexist with inventory reduction activities of real estate developers to promote a "soft landing" of the industry. After the cap of demand is ascertained, the internal forces of the market will gradually drive the supply and demand towards a balance, keep the transaction volume at a high level in the near few years and restore the stability and rationality of the industry. In this historical process, enterprises with resources strength and advanced management operation will expect a new round of leaping development.

Based on the research on the "new normal mode" between China's economy and the real estate industry, the Board will adopt comprehensive measures to optimize the regional layout of its residential real estate projects of the Group. The Group is determined to strengthen the sales and collection of sales proceeds as well as to control costs and expenses strictly, endeavour to increase profit margins and decrease its leverage, improve the profitability steadily and achieve a quality and balanced development.

## LAND RESERVES

In 2015, the Group will further optimize the regional layout of its residential real estate projects and acquire high quality projects progressively, with an objective to maintain its leading position in terms of land reserves in the industry. The project expansion will continue to focus on the first- and second-tier cities, particularly, the central urban areas. New land acquisitions in the third-tier cities will be carried out based on stricter quantifiable criteria to raise the profit level of products.

As at 31 December 2014, the aggregate land premium payable before due date by the Group amounted to RMB220.01 billion, with RMB195.55 billion paid and RMB24.46 billion outstanding and undue, of which RMB9.05 billion is due in 2015; RMB6.62 billion in 2016; and RMB8.79 billion after 2017.

### Contracted Sales

The Group foresees a relatively loose policy environment with severe divisions in regional markets in 2015. As such, the Group will follow the market trends, ensure adequate inventories, formulate a project marketing plan focusing on certain regions. In particular, the Group breaks down its annual sales target by project, and initiates a series of marketing activities from the beginning of 2015 to ensure the achievement of its annual sales target.

The Group determines its contracted sales target in 2015 at RMB150 billion, 36.4% higher than its target in 2014. The Group has 38 new residential projects available for sale. Most of these projects are located in major cities, such as Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Chengdu, Taiyuan, Haikou, Dongguan and Dalian. The Group plans to market these new projects at appropriate time based on the overall market demands. In addition, the Group has put into sales several residential and commercial complex projects and a large amount of stores and parking lots in the residential projects, which are expected to supplement the contracted sales of this year.

As the Group continuously promotes the strategy of optimizing the regional layout of its projects, the average transaction price for the year is expected to increase further. As to the specific pricing strategy, the Group will continue to balance between its sales price and sales volume and between its operation scale and gross profit. Sales target is designated on a quarterly basis, and the progress will be reviewed on a monthly basis. The monthly contract sales results are reported to shareholders and investors by voluntary announcements. Given the adequate inventories, strong execution capability and product advantages of the Group, the Board is very confident that the Group can achieve its full-year contract sales target.

### Financial Capital

The Group will continue to maintain its steady financial policies, endeavor to raise the total amount of cash and maintain its net profit margin for its main operations. To accomplish this, the Group will further enhance the collection of sales proceeds, set reasonable price, increase the turnover of inventories, sell part of the commercial premises and continue to expand project cooperation. Meanwhile, the Group will formulate more reasonable plans for commencement, completion and payment, and rationally control expenditure in land and construction.

With respect to capital arrangement, the Group issued US$1 billion senior notes due 2020 in February 2015. The Company intends to use the proceeds to refinance the existing debts of the Group to improve its debt structure and enrich the cash flows. The Group also plans to implement strict payment management plan with leveraging diversified financing channels and managing the dynamic balance between capital inflow and outflow.

With respect to the control of costs and expenses, the Group will continue to fully implement reforms of product upgrades and standardization to ensure product quality and reduce costs. The Group will also utilize new promotion channels to lower its selling expenses, develop leading SAP and ERP systems in the industry and make full use of information technology to reduce operating expenses.

## FINAL DIVIDEND

The Board recommended a final dividend for the year ended 31 December 2014 of RMB0.43 per share to shareholders whose names appear on the register of members on Thursday, 18 June 2015. The final dividend will be paid on or before Friday, 3 July 2015.

The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 12 June 2015. A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 10 June 2015 to 12 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 9 June 2015.

For determining entitlement to the proposed final dividend, the register of members of the Company will be closed from 18 June 2015 to 23 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 June 2015.

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

During 2014, the Company had repurchased from the market a total of 1,763,128,100 shares of the Company at price ranging from HK$2.80 to HK$3.64 per share with an aggregate consideration of HK$5,849,782,895. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares of the Company are as follows:

| Month of repurchase | Number of Shares repurchased | Highest price per share (HK$) | Lowest price per share (HK$) | Aggregate purchase price (HK$) |
|---|---|---|---|---|
| January 2014 | 354,447,000 | 3.10 | 2.80 | 968,497,350 |
| February 2014 | 1,248,399,100 | 3.64 | 3.11 | 4,335,964,013 |
| July 2014 | 160,282,000 | 3.51 | 3.25 | 545,321,532 |
| | 1,763,128,100 | | | 5,849,782,895 |

During the year, the Company has early redeemed in full the US$1,350,000,000 13% senior notes due 2015, which were listed on the Singapore Stock Exchange, at a redemption amount equals to 100% of its principal amount (plus accrued and unpaid interests of US$50.92 on the note of US$1,000 each). Please refer to the announcement of the Company dated 16 November 2014 for details of the early redemption.

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

## SUBSEQUENT EVENT

On 1 February 2015, the Company announced the issue of US$1 billion 12% senior notes due 2020 (the "Notes"). The notes are listed on Singapore Stock Exchange. The issuance of the Notes raised fund of approximately US$995 million and was used to refinance the existing indebtedness of the Group.

## SECURITIES TRANSACTIONS CONDUCTED BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the directors. Having made due and careful enquiries with the directors, the Company confirmed that for the year ended 31 December 2014, all directors always abided by the Model Code.

## REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee of the Company consists of all of the independent non-executive directors of the Company, Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. The Audit Committee assists the Board in providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2014.

## ANNOUNCEMENT OF FULL YEAR RESULTS ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The announcement of full year results have been published on the Company's website (http://www.evergrande.com) and the website appointed by the Stock Exchange (http://www.hkexnews.hk).

## ACKNOWLEDGEMENT

The steady development of the Group has always been trusted and supported by its shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I express my heartfelt gratitude.

By order of the Board
**Evergrande Real Estate Group Limited**
**Hui Ka Yan**
*Chairman*

Hong Kong, 30 March 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

# EVER RESOURCEFUL

# Management Discussion And Analysis

## Overall Performance

The Group recorded revenue of RMB111.4 billion for the year of 2014 (2013: RMB93.7 billion), representing a year-on-year growth of 18.9%. Gross profit amounted to RMB31.8 billion (2013: RMB27.6 billion), representing an increase of 15.2% over last year. Profit attributable to shareholders was RMB12.6 billion which was mostly consistent with that of 2013. Diluted earnings per share amounted to RMB0.849 (2013: RMB0.782), representing a year-on-year growth of 8.6%.

Equity attributable to shareholders of the Group as at 31 December 2014 was RMB51.1 billion (31 December 2013: RMB48.6 billion), representing a year-on-year increase of 5.2%.

## REVENUE

During the year, revenue of the Group amounted to RMB111.4 billion, representing a growth of 18.9%, of which revenue generated from the property business amounted to RMB107.5 billion, representing a year-on-year growth of 16.5%, the increase was mainly due to the recognized sales income of the property area increased by 12.5% as compared to 2013 and the average selling price of the properties increased by 3.5% as compared to 2013; revenue generated from property management amounted to RMB1.3 billion, an increase of 69.7% from last year; revenue generated from investment properties, hotel operation and other businesses amounted to RMB2.7 billion, representing an increase of 287.0%.

## GROSS PROFIT

Gross profit of the Group was RMB31.8 billion for the year of 2014, representing an increase of 15.2% as compared to the last year. The increase in gross profit was mainly attributable to a significant increase in sales of properties. The gross profit margin was 28.5%, remaining relatively stable comparing to last year.

## FAIR VALUE GAINS ON INVESTMENT PROPERTIES

Fair value of investment properties of the Group at the end of 2014 appreciated RMB9.4 billion in value, representing an increase of 61.5% as compared to the gains of last year. Investment properties of the Group mainly include commercial podiums and offices with gross floor area of 2.67 million square meters and approximately 250,000 car park spaces.

## SELLING AND MARKETING COSTS

During the year, selling and marketing costs of the Group rose from RMB4.3 billion for the year of 2013 to RMB9.2 billion, which was mainly attributable to an increase in the number of projects launched and significant expansion in scale which led to the corresponding increase in nationwide marketing and brand publicity activities during the year. This portion of costs was incurred in relation to the pre-sales, and corresponding pre-sale revenue had to be recognized after the delivery of possession.

## ADMINISTRATIVE EXPENSES

During the year, administrative expenses of the Group increased to RMB4.0 billion from RMB3.5 billion for the year of 2013, which was mainly attributable to the continuous expansion of the Group's national business and achieved significant growth in operation results in 2014, meanwhile the corresponding increase in the number of employees and the level of their remuneration.

## FAIR VALUE GAINS ON FINANCIAL ASSETS

Gains on fair value change of financial assets was RMB3.8 billion for the year of 2014. In 2014, the Group has successfully invested in securities which appreciated in value at the end of 2014.

## FINANCIAL REVIEW

### Borrowings

As at 31 December 2014, the borrowings of the Group amounted to RMB156.1 billion, with the following maturities.

| | **31 December 2014 (RMB billion)** | **As percentage of total borrowings** | 31 December 2013 (RMB billion) | As percentage of total borrowings |
|---|---|---|---|---|
| Less than 1 year | **79.66** | **51.0%** | 35.80 | 32.9% |
| 1–2 years | **55.86** | **35.8%** | 44.34 | 40.7% |
| 2–5 years | **19.63** | **12.6%** | 27.88 | 25.6% |
| More than 5 years | **0.91** | **0.6%** | 0.80 | 0.8% |
| | **156.06** | **100%** | 108.82 | 100% |

The borrowings were pledged against the property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group at an average effective interest rate of 9.74% per annum (2013: 9.52%).

### Foreign Exchange Exposure

The Group's businesses are principally conducted in Renminbi. Other than the bank deposits denominated in foreign currencies, bank borrowings and the senior notes denominated in US dollar and HK dollar, the Group does not have any material exposure directly due to foreign exchange fluctuations. The Group has not entered into any significant forward exchange contract to hedge its exposure to foreign exchange risk.

### Liquidity

As at 31 December 2014, the total amount of cash and cash equivalents and restricted cash of the Group was RMB59.5 billion, together with unutilized banking facilities of RMB51.0 billion. The abundant working capital provided possibility for the Group to seek the best business opportunities and provided significant financial support for rapid development.

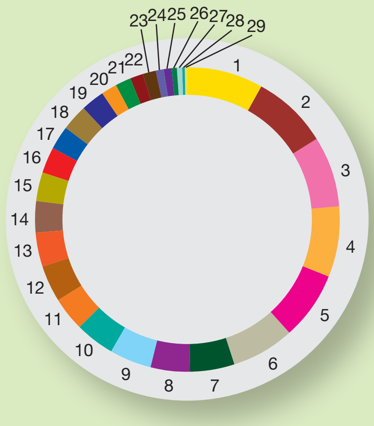
### Land Reserve

During the year, the Group acquired 17 pieces of additional land for reserve in 14 cities, namely Beijing, Shenzhen, Chengdu, Taiyuan, Changsha, Nanchang, Changchun, Lanzhou, Dalian, Dongguan and Chaozhou. In 2014, the gross floor area of the newly acquired land reserve was approximately 8.41 million square meters, the average cost of which was RMB2,588 per square meter.

The following table sets out the details of the additional land acquired in 2014.

| | Project name | City | Site area (m$^2$) | GFA (m$^2$) | Land Reserve GFA (m$^2$) | Actual shareholding |
|---|---|---|---|---|---|---|
| | ***Beijing*** | | | | | |
| 1 | Evergrande Emerald Court Beijing | Beijing | 46,011 | 263,091 | 263,091 | 100% |
| 2 | Evergrande Metropolis Beijing | Beijing | 35,000 | 174,310 | 174,310 | 100% |
| | ***Guangdong*** | | | | | |
| 3 | Shenzhen Huaqiang North Project | Shenzhen | 10,423 | 121,536 | 121,536 | 100% |
| 4 | Evergrande Oasis Dongguan | Dongguan | 69,955 | 252,178 | 252,178 | 100% |
| 5 | Evergrande Palace Chaozhou | Chaozhou | 245,369 | 767,535 | 767,535 | 55% |
| | ***Hunan*** | | | | | |
| 6 | Evergrande Royal Scenic Peninsula Changsha | Changsha | 270,283 | 1,272,504 | 1,184,262 | 51% |
| | ***Shanxi*** | | | | | |
| 7 | Evergrande Royal Scenic Bay Taiyuan | Taiyuan | 334,679 | 1,233,158 | 1,233,158 | 100% |
| | ***Jiangxi*** | | | | | |
| 8 | Evergrande Royal View Garden Nanchang | Nanchang | 88,492 | 228,081 | 228,081 | 100% |
| 9 | Evergrande Royal Scenic Yingtan | Yingtan | 96,706 | 221,071 | 221,071 | 100% |
| | ***Henan*** | | | | | |
| 10 | Evergrande Scenic Garden Zhengzhou | Zhengzhou (Xingyang) | 205,751 | 209,821 | 209,821 | 51% |
| | ***Hubei*** | | | | | |
| 11 | Evergrande Atrium Yichang | Yichang | 168,138 | 490,286 | 490,285 | 60% |
| | ***Gansu*** | | | | | |
| 12 | Evergrande Metropolis Lanzhou | Lanzhou | 86,683 | 357,515 | 45,304 | 100% |
| | ***Liaoning*** | | | | | |
| 13 | Evergrande Royal View Garden Dalian | Dalian | 152,704 | 314,040 | 314,040 | 100% |
| 14 | Evergrande Royal Scenic Bay Dalian | Dalian | 28,400 | 126,517 | 126,517 | 60% |
| | ***Sichuan*** | | | | | |
| 15 | Evergrande Emerald Court Chengdu | Chengdu | 45,924 | 222,132 | 222,132 | 100% |
| 16 | Evergrande Impression Caojiahang Chengdu | Chengdu | 111,786 | 962,294 | 962,294 | 62.5% |
| | ***Jilin*** | | | | | |
| 17 | Evergrande Royal View Garden Changchun | Changchun | 199,970 | 527,489 | 527,489 | 100% |
| * | Evergrande Royal View Garden Xi'an (Phase II) | Xi'an | 45,760 | 160,162 | 160,162 | 100% |
| * | Evergrande Splendor Xinxiang (Commercial center of Phase I) | Xinxiang | 43,307 | 21,653 | 21,653 | 100% |
| * | Evergrande Oasis Changsha Phase II | Changsha | 47,196 | 271,907 | 271,907 | 100% |
| * | Evergrande Metropolis Qujing (Residential Expansion Land) | Kunming | 15,425 | 40,376 | 40,376 | 100% |
| * | Evergrande City Hengshui (Expansion Land Phase II) | Hengshui | 69,598 | 369,791 | 369,791 | 70% |
| * | Evergrande Splendor Chongqing Phase III | Chongqing | 205,505 | 89,726 | 89,726 | 100% |
| * | Evergrande City Shijiazhuang (Police Court) | Shijiazhuang | 25,422 | 113,435 | 113,435 | 100% |
| | Total | | 2,648,487 | 8,810,608 | 8,410,154 | |

* Surrounding land reserves acquired for current projects



8.2% 1 Guangdong
8.1% 2 Shandong
7.5% 3 Henan
7.3% 4 Anhui
7.2% 5 Beijing
6.8% 6 Jiangsu
4.6% 7 Hebei
4.4% 8 Hunan
4.3% 9 Shanxi
4.1% 10 Jiangxi
3.8% 11 Chongqing
3.7% 12 Liaoning
3.6% 13 Hubei
3.3% 14 Sichuan
3.1% 15 Heilongjiang
2.7% 16 Jilin
2.7% 17 Guangxi Zhuang Autonomous Region
2.6% 18 Hainan
2.6% 19 Zhejiang
1.7% 20 Gansu
1.7% 21 Shaanxi
1.4% 22 Guizhou
1.2% 23 Inner Mongolia
0.9% 24 Ningxia Hui Autonomous Region
0.8% 25 Tianjin
0.6% 26 Xinjiang Uygur Autonomous Region
0.5% 27 Yunnan
0.3% 28 Fujian
0.3% 29 Qinghai

## CONTRACTED SALES

During the year, the Group successfully satisfied its sales target with contracted sales of RMB131.5 billion and, completed 119.6% of its annual sales plan. The GFA of contracted sales was 18.20 million square meters and the average contract selling price was RMB7,227 per square meter. The Group started 53 new projects during the year. As of 31 December 2014, there are 276 projects are under sale, which were distributed in 29 areas, covering 141 cities in China.

The following table sets out the geographical distribution of contracted sales of the Group in 2014.

| No. | Province | Contracted Sales amount (in million of RMB) | Percentage of the contracted sales amount |
|---|---|---|---|
| 1 | Guangdong | 10,811.9 | 8.2% |
| 2 | Shandong | 10,780.8 | 8.1% |
| 3 | Henan | 9,815.5 | 7.5% |
| 4 | Anhui | 9,590.1 | 7.3% |
| 5 | Beijing | 9,465.3 | 7.2% |
| 6 | Jiangsu | 8,912.3 | 6.8% |
| 7 | Hebei | 6,102.2 | 4.6% |
| 8 | Hunan | 5,801.4 | 4.4% |
| 9 | Shanxi | 5,765.8 | 4.3% |
| 10 | Jiangxi | 5,364.5 | 4.1% |
| 11 | Chongqing | 4,977.4 | 3.8% |
| 12 | Liaoning | 4,808.7 | 3.7% |
| 13 | Hubei | 4,745.5 | 3.6% |
| 14 | Sichuan | 4,362.2 | 3.3% |
| 15 | Heilongjiang | 4,081.9 | 3.1% |
| 16 | Jilin | 3,511.3 | 2.7% |
| 17 | Guangxi Zhuang Autonomous Region | 3,490.2 | 2.7% |
| 18 | Hainan | 3,429.1 | 2.6% |
| 19 | Zhejiang | 3,384.8 | 2.6% |
| 20 | Gansu | 2,190.9 | 1.7% |
| 21 | Shaanxi | 2,178.5 | 1.7% |
| 22 | Guizhou | 1,811.0 | 1.4% |
| 23 | Inner Mongolia | 1,522.8 | 1.2% |
| 24 | Ningxia Hui Autonomous Region | 1,236.0 | 0.9% |
| 25 | Tianjin | 1,057.9 | 0.8% |
| 26 | Xinjiang Uygur Autonomous Region | 833.8 | 0.6% |
| 27 | Yunnan | 688.3 | 0.5% |
| 28 | Fujian | 399.7 | 0.3% |
| 29 | Qinghai | 394.0 | 0.3% |
| | Total | 131,513.8 | 100.0% |

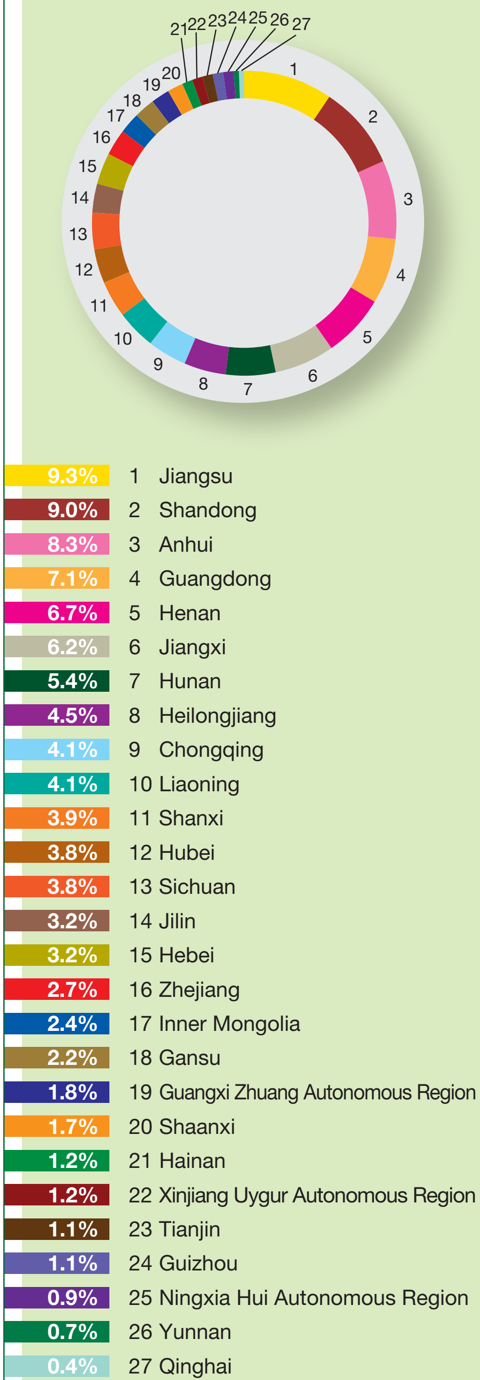
## PROPERTY DEVELOPMENT

During the year, the Group has a total of 205 projects completed or partially completed, being distributed in 27 major areas of China, with completed aggregated gross floor area of 20.63 million square meters.

The following table sets out the distribution of completed areas of the Group.

### List of completed projects of the Group for 2014

| No. | Province | Area ('000 m$^2$) | Percentage |
|---|---|---|---|
| 1 | Jiangsu | 1,915.2 | 9.3% |
| 2 | Shandong | 1,864.9 | 9.0% |
| 3 | Anhui | 1,703.0 | 8.3% |
| 4 | Guangdong | 1,455.4 | 7.1% |
| 5 | Henan | 1,390.5 | 6.7% |
| 6 | Jiangxi | 1,280.2 | 6.2% |
| 7 | Hunan | 1,122.2 | 5.4% |
| 8 | Heilongjiang | 926.3 | 4.5% |
| 9 | Chongqing | 848.0 | 4.1% |
| 10 | Liaoning | 846.2 | 4.1% |
| 11 | Shanxi | 813.4 | 3.9% |
| 12 | Hubei | 781.5 | 3.8% |
| 13 | Sichuan | 780.1 | 3.8% |
| 14 | Jilin | 670.2 | 3.2% |
| 15 | Hebei | 654.9 | 3.2% |
| 16 | Zhejiang | 567.3 | 2.7% |
| 17 | Inner Mongolia | 492.0 | 2.4% |
| 18 | Gansu | 444.5 | 2.2% |
| 19 | Guangxi Zhuang Autonomous Region | 364.0 | 1.8% |
| 20 | Shaanxi | 352.5 | 1.7% |
| 21 | Hainan | 257.9 | 1.2% |
| 22 | Xinjiang Uygur Autonomous Region | 243.5 | 1.2% |
| 23 | Tianjin | 227.9 | 1.1% |
| 24 | Guizhou | 226.7 | 1.1% |
| 25 | Ningxia Hui Autonomous Region | 185.4 | 0.9% |
| 26 | Yunnan | 146.7 | 0.7% |
| 27 | Qinghai | 74.3 | 0.4% |
| | Total | 20,634.7 | 100% |



## HUMAN RESOURCES

As at 31 December 2014, the Group had a total of 77,057 employees, of which approximately 90% from property development segment. Most of them are undergraduates with bachelor's degree or above.

During 2014, the Group hired a total of 1,807 fresh graduates, among which 357 were from the top 10 domestic universities in terms of comprehensive ranking, including Peking University and Tsinghua University. An aggregate of 9,270 talents with management and technology skills were hired from the public during the year. The Group organized approximately 346 training sessions and professional seminars for staff at departmental level throughout the year and trained approximately 22,083 staff in aggregate. The total training hours amounted to approximately 1,381 hours with approximately 4 hours per session.

The Group firmly believes that talents are the most important corporate resources, and has been adhering to a people-oriented human resources development strategy. This helped the Group in creating a harmonious working environment and positive interaction between the Group and its staff. During the year, total staff cost (including directors' emoluments) of the Group was approximately RMB7.9 billion 2013: approximately RMB5.9 billion).

# DIRECTORS AND ADMINISTRATIVE STRUCTURE

# EVER INSIGHTFUL

# Directors and Administrative Structure

## EXECUTIVE DIRECTORS

### Hui Ka Yan (許家印)

aged 56, Chairman of the Board. Dr. Hui is responsible for organizing the overall development strategies of the Group. He has over 30 years of experience in real estate investment, property development and corporate management. Currently, Dr. Hui is a member of the 12th National Committee of the Chinese People's Political Consultative Conference and also the vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He was accredited as a "National Model Worker" (one of the highest civilian honors in China) by the State Council. He graduated from Wuhan University of Science and Technology in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Dr. Hui has been a professor in management in Wuhan University of Science and Technology since 2003 and was appointed as doctoral tutor of that university in 2010.

### Xia Haijun (夏海鈞)

aged 51, Vice president of the Board and Chief Executive Officer of the Group. Dr. Xia has over 20 years of experience in property development and corporate management. Dr. Xia takes full charge of our daily operations, including administration and information management, financial management, treasury management, large-scale projects cooperation and investor relationship, etc. Dr. Xia graduated from Jinan University with a master degree in business administration in 1998 and a doctor's degree in industrial economy in 2001.

aged 49, our executive Director and vice president. Ms. He is responsible for the Group's marketing management and business administration for property projects. She has more than 16 years of experience in marketing strategies and brand promotion in the property projects. Ms. He joined the Group in August 1997, and has a bachelor's degree in applied mathematics and a master's degree in engineering management.

## HE MIAOLING (何妙玲)

aged 48, our executive Director and chief financial officer. Mr. Tse takes full charge of financial management. Mr. Tse has over 20 years of experience in auditing, accounting and finance. Mr. Tse graduated from the University of North Carolina at Charlotte with a master of business administration degree. Currently, he is a member of the Hong Kong Institute of Certified Public Accountants, or HKICPA and the American Institute of Certified Public Accountants ("AICPA").

## TSE WAI WAH (謝惠華)

## Xu Wen (徐文)

aged 51, our executive Director, executive vice president. and the president of the Dairy Group (乳業集團). Mr. Xu has over 20 years of experience in construction project management, construction research and design. Mr. Xu has a bachelor's degree in civil construction and a master's degree in project management and is a registered structural engineer and a qualified supervising engineer in China.

## Huang Xiangui (黃賢貴)

aged 44, our executive Director, assistant president and general manager of the Hongkong company. Mr. Huang joined us in 2004. He graduated from Harbin Engineering University and University of Stirling, and obtained a bachelor degree in chemical engineering and a master degree of science in banking and finance respectively. Mr. Huang is currently responsible for the international capital operation and investment management of the Group, and has over 17 years of experience in marketing, human resource management, foreign capital operation and management.

# INDEPENDENT NON-EXECUTIVE DIRECTORS

## Chau Shing Yim, David (周承炎)

aged 50, our independent non-executive Director. Mr. Chau has been our independent non-executive Director since 14 October 2009. Mr. Chau has over 24 years of experience in corporate finance, and participated in various projects ranging from initial public offerings and restructuring of PRC enterprises for cross-border and domestic takeovers. Mr. Chau was formerly a partner of Deloitte Touche Tohmatsu, heading the merger and acquisition and corporate advisory services department. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales, or ICAEW, with the Corporate Finance Qualification granted by ICAEW, and HKICPA. Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA. He is an executive director of Tidetime Sun (Group) Limited and an independent non-executive director of Lee & Man Paper Manufacturing Limited, Shandong Molong Petroleum Machinery Company Limited and Varitronix International Limited, and the shares of all these companies are listed on the Stock Exchange.

## He Qi (何琦)

aged 56, our independent non-executive Director. Mr. He has been our independent non-executive Director since 14 October 2009. Mr. He is the Deputy Secretary of the China Real Estate Association, as well as the director of the training center and the intermediary professional committee of the China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and a deputy secretary of Ji'an City of Jiangxi Province from 1999 to 2001. He has been the deputy secretary of the China Real Estate Association from 2006 to now.

## Xie Hongxi (謝紅希)

aged 55, our independent non-executive Director. Ms. Xie is currently the deputy director, senior engineer and supervisor of master's degree candidates of the Engineering Training and National Experiment, Education and Demonstration Center of South China University of Technology. From 1982 to 2002, she worked in the Guangzhou Nonferrous Metal Research Institute and took charge of or participated in numerous significant scientific research projects. She was awarded the "National Science and Technology Progress Prize" once and the "Ministerial Technology Achievement Prize" twice. Since 2002, she has been teaching at South China University of Technology and engaging in the operation and management of the center, experimental education for undergraduates and scientific research on surface technology of metallic materials. She has received numerous provincial and university education prizes and outstanding education prizes.

# SENIOR MANAGEMENT

## LIANG WEIKANG (梁偉康)

age 46, our executive vice president. Mr. Liang is responsible for the management and supervision of project construction system, marketing management, business management, and property management, etc. Mr. Liang holds a degree in civil engineering structure.

## TAN ZHAOHUI (談朝暉)

age 47, our executive vice president and chairwoman of the Health Industry Group (健康產業集團). Ms. Tan is responsible for our diversified industry research and health industry. She holds a bachelor's degree in industry and civil construction.

## XIAO EN (肖恩)

aged 43, our executive vice president and the chairman of the tourism real estate projects. Mr. Xiao joined us in November 2013, and is currently responsible for the management of the Group's cultural tourism real estate projects. Mr. Xiao graduated from Southwest University of Political Science and Law and has a master degree in economic law.

## PENG JIANJUN (彭建軍)

aged 44, our executive vice president and chairman of grain and oil Group. Mr. Peng is responsible for the management of the Grain and Oil Group (糧油集團). Mr. Peng obtained a PhD degree in management from Jinan University in 2005 and was accredited as senior economist.

## LIU YONGZHUO (劉永灼)

aged 34, our executive vice president and the chairman of Evergrande Spring Water Group. He is responsible for the management and operation of the Group and has a professional degree in business administration.

## LIN MANJUN (林漫俊)

aged 45, our vice president. Mr. Lin is responsible for planning and design, various tender and bidding, contract management and budget and final account as well as audit works in the course of the development and construction of real estate projects in the PRC. He has over 20 years of experience in project design and tender and bidding management.

## KE PENG (柯鵬)

aged 35, our vice president. Mr. Ke is mainly responsible for the development of administration, the advertisement of brand image and corporate culture of the Group. He has a bachelor's degree in international economic laws.

## Zhang Chang Qing (張常青)

aged 50, our vice president. Mr. Zhang is mainly responsible for assets optimization, and he holds a master's degree in management and accounting.

## Qin Li Yong (秦立永)

aged 37, our vice president. Mr. Qin joined us in 2005is responsible for the construction, supervision and management of projects, landscape design and construction management of the Group. He holds a master's degree in management science and engineering of Tongji University.

## Wu Liqun (伍立群)

aged 51, our vice president. Ms. Wu is responsible for the management of legal affairs and health industry sector, etc.. She has over 20 years of experience in corporate management.

## Chen Dong Feng (陳東鋒)

aged 49, our vice president and head of information. Mr. Chen joined us in 2011, and is mainly responsible for the management of the Group's information system. He holds a master's degree in communication and electronic engineering and a doctor's degree in management.

## Shi Shouming (時守明)

aged 41, our vice president. Mr. Shi is responsible for the investment center. He has more than 16 years of experience in project development, operation and management, and has a professional degree in engineering management.

## Xu Jianhua (許建華)

aged 51, our vice president. Mr. Xu is currently responsible for the Group's capital operation center. He has 16 years of experience in fund operations and holds a doctor's degree in business administration and is a senior economist.

## Li Guodong (李國東)

aged 52, our vice president. Mr. Li is responsible for the financing and financing management of the Group in some regions. He has more than 19 years of experience in capital operations and management.

## Sun Yunchi (孫雲馳)

aged 42, our vice president. Mr. Sun is responsible for the financing and financing management of the Group in some regions. He has more than 18 years of experience in capital operations and management.

## Wei Keliang (魏克亮)

aged 57, our vice president. Mr. Wei is responsible for the financing and financing management of the Group in some regions. He has more than 26 years of experience in economic management and fund management. He has a master's degree in economics and is accredited as senior economist in China.

## Xu Zhijian (許智健)

aged 31, our vice president, chairman of Evergrande Gardens Group, chairman of Rio Tinto(力拓公司) and director of Property Group (物業集團). And he has a MBA degree of Tsinghua university.

## Wang Chuan (王川)

aged 48, our vice president. Ms. Wang is responsible for the planning and design and management of cultural tourism projects of the Group. She has over 25 years of experience in research and development, design and management, and has a professional degree in construction engineering.

## Lu Baoping (呂保平)

aged 57, our vice president. Mr. Lu is responsible for the planning and design and management of cultural tourism projects of the Group.

## Shi Wenfang (時文芳)

aged 43, our vice president. Ms. Shi is responsible for the planning and design and management of cultural tourism projects of the Group. She has a master's degree in law of Sun Yat-sen University.

## Zhang Weidang (章為黨)

aged 33, our vice president. Mr. Zhang is responsible for the planning and design and management of cultural tourism projects of the Group.

# COMPANY SECRETARY

## Fong Kar Chun, Jimmy (方家俊)

aged 40, our company secretary. Mr. Fong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 2001. Mr. Fong joined us in June 2009 and is responsible for investor relationship and the management of foreign legal matters of the Group. Mr. Fong obtained his bachelor's degree in laws and a postgraduate certificate in laws from the University of Hong Kong in 1997 and 1998 respectively. Mr. Fong obtained his master's degree in laws in banking and finance from the London School of Economics and Political Science, University of London in 2000.

# INVESTOR RELATIONSHIP REPORT


In 2014, through different means such as regular publications of results announcements, launching global road shows, organization of site visits for investors and participation in annual conferences of investment banks, the Group has further strengthened its communication system and kept a constant interactive exchange with investors. Our relationship with investors has reached a new stage, and developed into an interactive relationship steadily. The Group, through various kinds of channels, has met 2,028 investors of all sorts from 1,838 investment institutions worldwide in aggregate during the year.

The management of the Group places high emphasis on the exchange with investors. During the year, the management organized 2 large-scale results road shows (non-deal) and an annual general meeting. Those 2 results road shows (non-deal) were organized by Goldman Sachs, JP Morgan, DBS Bank, UBS, Bank of America Merrill Lynch, Citibank, Deutsche Bank and Credit Suisse. The management has visited the world's key financial centers, such as Hong Kong, Singapore, London, Los Angeles, New York and Boston, and had frequent interactions with over 220 investment institutions on matters such as development strategies, industry prospects and future plans.

In 2014, the management of the Group has also participated in dozens of annual conferences and exchange meetings of all sorts held by securities brokers and investment banks, including Barclays Bank PLC, Nomura Securities, DBS Bank, Credit Suisse, Deutsche Bank, UBS, Macquarie Securities, Deutsche Bank, Bank of America Merrill Lynch, Citibank, Credit Suisse in Beijing, Hong Kong, Singapore and Shenzhen, and met 946 investors of all sorts from 859 investment institutions worldwide in aggregate. Based on exchanging the latest operating strategies and results, the management listened to comprehensive opinions and advices from the investment sector, and is committed to optimizing the Group's corporate governance.

In November 2014, the Group entered into a memorandum of understanding with New Media Group Holdings Limited ("New Media"), a Hong Kong listing company (00708), with an intention to acquire 75% equity in New Media at a price of HK$950 million, which will establish a solid foundation for the Group's health business to enter into the Hong Kong capital markets. The proposed acquisition has been announced, and is currently in the implementation stage. During the period from January to February 2015, in addition to the above, the Group completed the share transfer, published a circular to New Media's Shareholders and proposed to change the name of the listed company into "Evergrande Health Industry Group Limited".

In 2014, in order to cater for the new development situation, apart from issuing press releases regarding annual sales targets and monthly sales figures, the Group also published the abovementioned information regularly on the website of the Stock Exchange, in order to further improve the transparency of its information disclosure, which is highly praised by investors. As the supplements to its results publication, the Group also delivered to its investors its latest information regarding development strategies, development process, sales results and market overlook through various kinds of communication channels, such as website and emails. Currently, the Group has more than 1,100 investment institutions and 1,600 investors as its regular receivers of the materials.


Number of institutions

| | |
|---|---|
| 427 | Project visits |
| 240 | Exchange meetings |
| 92 | Teleconferences |
| 859 | Annual conferences |
| 220 | Road shows |


Number of investors

| | |
|---|---|
| 463 | Project visits |
| 267 | Exchange meetings |
| 102 | Teleconferences |
| 946 | Annual conferences |
| 250 | Road shows |

## SUMMARY OF THE GROUP'S INVESTOR RELATIONS ACTIVITIES FOR 2014

| Month | Venue | Activity |
|---|---|---|
| January | Hong Kong | Attending investors annual conference organized by Barclays Bank PLC |
| | Hong Kong | Attending Nomura Securities' annual conference on real estate sector |
| | Singapore | Attending DBS Bank's Asia summit |
| | Hong Kong | Attending Credit Suisse's conference on real estate sector |
| | Beijing | Attending investors annual conference organized by Deutsche Bank |
| March | Hong Kong | Convening 2013 annual results press conference and briefing for analysts |
| April | Hong Kong | Attending 2013 annual results roadshow in Hong Kong organized by Goldman Sachs |
| | Hong Kong | Attending 2013 interim results roadshow in Hong Kong organized by JP Morgan |
| | Singapore | Attending 2013 interim results roadshow in Singapore organized by UBS |
| | Singapore | Attending 2013 interim results roadshow in Singapore organized by DBS Bank |
| | Los Angeles | Attending 2013 annual results roadshow in Los Angeles organized by Bank of America Merrill Lynch |
| | Boston | Attending 2013 annual results roadshow in Boston organized by Bank of America Merrill Lynch |
| | New York | Attending 2013 annual results roadshow in New York organized by Citibank |
| | London | Attending 2013 annual results roadshow in London organized by Deutsche Bank |
| | Hong Kong | Attending investors annual conference organized by UBS |
| May | Hong Kong | Attending investors seminar organized by Macquarie Securities |
| | Hong Kong | Attending investors annual conference organized by Barclays Bank PLC |
| | Hong Kong | Attending investors annual conference organized by DBS Bank |
| | Singapore | Attending investors seminar organized by Deutsche Bank |
| June | Hong Kong | Attending investors annual conference organized by Bank of America Merrill Lynch |
| | Hong Kong | Attending annual conference on real estate sector for Asia Pacific region organized by Citibank |
| | Hong Kong | Convening the annual general meeting |
| August | Hong Kong | Convening 2014 interim results press conference and briefing for analysts |
| | Hong Kong | Attending 2014 interim results roadshow in Hong Kong organized by Goldman Sachs |
| | Hong Kong | Attending 2014 interim results roadshow in Hong Kong organized by Merrill Lynch |
| | Singapore | Attending 2014 interim results roadshow in Singapore organized by Credit Suisse |
| October | Hong Kong | Attending investors conference organized by Credit Suisse |

# Corporate Citizenship Report


Under the new social and market environment, the Group took an active role in undertaking corresponding social responsibilities and made great efforts to create social value, realize mutual benefits for the growth of itself and the society, and achieve a sustainable development.

In 2014, the Group contributed over RMB10 billion of tax to the State and provided over 700,000 Chinese workers with jobs. Throughout the past 17 years, the Group has in aggregate provided hundreds of thousands of households with high value-for-money residential developments, and made charitable donations of over RMB2 billion. Looking into the future, the Group will sustain its devotion to charitable activities that support livelihood, education, poverty alleviation, sports and culture as well as environmental protection, while improving its own operation. With the joint development with our shareholders, staff, upstream and downstream industry chains and customers, the Group is well positioned to aim for a bright future.


## CONCERNING WITH PEOPLE'S LIVELIHOOD

Evergrande always persists in the concept of "concerning with people's livelihood, committing to charity". In March 2014, the Group donated RMB30 million to the China Children and Teenagers' Fund to support the children charitable activities in China. In April, after the outbreak of water pollution in Lanzhou, the Group immediately donated 12 million bottles of Evergrande spring water and completed such distribution within 65 hours. In July, after the typhoon in Hainan, the Group donated RMB10 million to help those people in the disaster area rebuild houses. In August, after the earthquake in Yunnan, the Group donated RMB10 million in cash and 2 million bottles of Evergrande spring water to the disaster area in Ludian County through the China Foundation for Poverty Alleviation. We were among the first large-sized conglomerates to respond immediately after the disaster as well as the conglomerates topping the donations in the first instance.

## GREEN HOMES

The Group advocates the philosophy of quality, targets on promotion of green life and protection of environment, and is committed to delivering fully-decorated properties to reduce environmental pollution from refurbishment works. It cooperates with over 600 strategic upstream and downstream partners along the industry chain to apply advanced domestic technologies from project design to construction to continuously enhance the product quality and the environmental protection level.

During the year, to follow the trend of environmental protection and energy reservation, the Group further raised the standard for environmental protection and energy reservation, launched 10 large-size survey and research projects in total relating to intelligent housing, interior fitting-out and floor heating design, prepared and amended 42 individual standards. In addition, the Group constantly promoted product upgrades, enhanced the regional suitability, quality and environmental protection efficiency of

its residential properties by standardized residential design. During the year, the Group accumulatively completed 108 different types of standardization works, mainly including 7 compilation projects for its design and technique documents, development of 20 standardized units, upgrading for 20 decoration plans and construction plans. The optimized approaches adopted in architectural design, material supply and construction methods function in an "assembly-line" style, and help to shorten the design cycle, guarantee the quality of design and significantly reduce the influence on environment.

During the year, the Group extended its strategic cooperation with Harvard University and Tsinghua University. The jointly built Harvard Evergrande Green Construction Research Center (哈佛恒大綠色建築研究中心) has been officially established, and Tsinghua Evergrande Research Institute (清華恒大研究院) was inaugurated in Guangzhou, focusing on carrying out research on sustainable and highly efficient green construction to cope with world-wide challenges of urbanization.

## STAFF DEVELOPMENT

Staff are capital of Evergrande. The Group always upholds a basic concept of sharing development results with its staff. Therefore, the Group actively implements staff development strategy and, make great effort to introduce quality employees to maintain a strong employee base. The Group takes various measures to protect the legal interest of its staff and create a platform and space for their growth.

In 2014, the Group hired 9,270 employees with management and technology skills through society recruitments, and hired 1,807 persons through campus recruitments, 357 of whom were graduates from top ten domestic comprehensive universities, including Beijing University and Tsinghua University. Various departments in the Group offered about 346 trainings and lectures to approximately 22,083 employees for approximately 1,381 hours, with about 4 hours for each training session on average. The Group also launched a master program of project management engineering with Tsinghua University to foster career development of the staff.

The Group offers market oriented competitive remuneration to ensure the staff's salary and welfare. In order to further motivate its employees, the Group granted 530 million share options to 101 key employees in October 2014, representing 3.63% of issued shares of the Group at that time, with an exercise price of HK$3.05.

## CREDITWORTHY COOPERATION

The Group always persists in the principle of creditworthy operation in its cooperation with over 600 strategic partners worldwide to jointly build creditworthy alliance and achieve win-win situation.

In 2014, the Group continued to enhance the strategic cooperation and centralized procurement, to share the development results with extensive strategic partners and establish a mechanism of survey on suppliers' satisfaction and service hotline for suppliers, to improve the standard of service to suppliers.

The Group constantly refined its supply chain system, stimulates the connection with suppliers and regional companies in terms of procurement and supply, and further increases the procurement efficiency and transparency.

To achieve quality control from the source of procurement, the Group established a quality assurance system with 360-degree control throughout the process, one-vote veto system for product quality as a control, mechanism and formulated a motivation and punishment system based on comprehensive assessments.

## SUPPORTING SPORTS AND CULTURE DEVELOPMENT

Evergrande has been always promoting sports development in China through professional operation and modern enterprise management methodology. In 2014, the Group introduced Alibaba as a strategic investor to realize a strong cooperation in creating a top-tier club in the world. Evergrande Football Club won the CSL championship, and became the first team that won "four consecutive CSL championships" in the China football professional league history. Evergrande Football School established a branch in Spain and created a new Evergrande Royal Madrid Football School education model patter to foster talents for our country. The Group propelled national culture development in several fields.

The Group launched several major movies, successfully held 24 "Evergrande Starlight" music carnivals and several Evergrande Spring large-size song and dance evening parties to enrich our life.

# 2014

# MAJOR AWARDS AND PRIZES


## CORPORATE AWARDS

| | |
|---|---|
| MARCH 2014 | **Top Ten Real Estate Developers in China by Integrated Capability — No. 2** |
| | **Top Ten Real Estate Developers in China by Comprehensive Development — No. 1** |
| | **Top Ten City Coverage's Real Estate Developers in China — No. 1** |
| | **Top Ten Real Estate Developers in China by Responsible Property — No. 2** |
| | **Top 10 China Real Estate Development Enterprise Tourism Real Estate — No. 1** |
| | **Top Ten Real Estate Developers in China by Operating Efficiency — No. 1** |
| | **Top 10 Real Estate Development Enterprises in China in terms of Innovation Capability— No. 1** |
| | **Top Ten Real Estate Developers in China** |


| | |
|---|---|
| MAY 2014 | Top 10 China Real Estate Companies Listed in Hong Kong by Integrated Capability — No. 1 |
| | Top 10 Valued China Real Estate Companies Listed in Hong Kong |
| | Top 10 China Real Estate Companies Listed in Hong Kong by Wealth Stability |
| | Top 10 China Real Estate Companies Listed in Hong Kong by Wealth Creation Capability |
| JULY 2014 | 2014 Real Estate Outstanding Achievements Award |
| | 2014 most Valued Real Estate listed Companies |
| SEPTEMBER 2014 | Top 10 China Real Estate Companies by Brand September 2014 |
| | Top 10 China Real Estate Developers by Brand |

# 2014 Milestones

## JANUARY

The Group officially announced that its contracted sales amount for 2013 was RMB 100.40 billion, representing a year-on-year growth of 8.8%, the average contracted sales price of every square meter was RMB 6,741, representing a year-on-year growth of 13.1%. The Group also announced its contracted sales target for 2014 as RMB110 billion, representing a growth by 10% from RMB100 billion share for 2013.

## MARCH

The Group ranked No. 2 in Top 500 China Real Estate Enterprises again.

The Group issued its annual results report for 2013 in Hong Kong, realizing operating revenue of RMB93.67 billion, representing a year-on-year increase of 43.5%. Net profit amounted to RMB13.71 billion, representing a year-on-year increase of 49.3%. Total assets amounted to RMB348.15 billion, representing a year-on-year increase of 45.7%.

## APRIL

After the breakout of benzene water pollution in Lanzhou, the Group immediately distributed 12 million bottles of Evergrande spring water in 500,000 boxes to Lanzhou citizens overnight. The Group completed such distribution only within 65 hours and obtained high social praise.

## MAY

TOP 10 China Real Estate Research Group issued 2014 TOP10 Research Report on China Real Estate Listed Companies, and Evergrande ranked No. 1 in Top 10 China Real Estate Companies Listed in Hong Kong by Integrated Capability again and also topped the sub-ranking of Top 10 Investment Value again.

## JUNE

The Group entered into a football strategic cooperation with Alibaba Group. Guangzhou Evergrande Football Club introduced a strategic investor for the first time and increased the share capital. After the increase, Evergrande and Alibaba each held 50% equity interest in the club. They will endeavor to create a top-tier football club in the world through their strong alliance.

2014 Real Estate Value ranking was published. Evergrande ranked No.1 of Top 20 China Stocks Listed in Hong Kong due to its excellent operating capability and profitability.

## AUGUST

The Group immediately donated RMB10 million in cash and 2 million bottles of spring water to the disaster area in Ludian County, Shaotong, Yunnan through the China Foundation for Poverty Alleviation.

The Group announced its interim results for 2014. Its total assets surged 21.1% to RMB421.65 billion. Turnover amounted to RMB63.34 billion. Net profit increased to RMB9.49 billion. Cash balance was RMB64.03 billion. Available capital amounted to RMB114.42 billion.

## SEPTEMBER

Tsinghua Evergrande Research Institute was inaugurated in Guangzhou.

Based on the Assessment and Research Report on the Brand Value of China Real Estate Enterprises for 2014 jointly issued by China Real Estate Research Institute, China Real Estate Association and China Real Estate Assessment Center, the brand value of Evergrande was valued at RMB29.186 billion.

2014 TOP 10 Report on the Brand Value of China Real Estate jointly issued by the Enterprise Research Institute of the Development Research Center of State Council, Real Estate Research Institute of Tsinghua University and China Index Academy showed that Evergrande won the No.1 of TOP 10 China Real Estate Enterprise for five consecutive years.

## OCTOBER

The Group granted 530 million share options to 101 key employees, representing 3.63% of issued shares of the Group at that time, with an exercise price of HK$3.05.

The opening ceremony for the branch school in Spain of Evergrande Football School took place in the Chinese Culture Center in Madrid. Chinese children may receive the most pure, most authentic and most direct globalized football education in the top-tier educational and training atmosphere in the world.

## NOVEMBER

The Group entered into a memorandum of understanding with New Media (00708, a listed company in Hong Kong), whereby the Group intended to acquire 74.99% of the shares in this company at a price of HK$0.95 billion;

The Group published an announcement that it decided to early redeem US$1.35 billion of 13% senior notes due on 27 January 2015 by its own capital by 18 December 2014.

Guangzhou Evergrande Football Club won the CSL championship for the season, and became the first team that won "four consecutive championships" in the China football professional league history and also the team winning most championships in the CSL history.

Harvard Evergrande Green Construction Research Center jointly built by Harvard University and Evergrande was established in Harvard University.

## DECEMBER

In 2014, the Group hit another new record in contracted sales, which reached RMB131.5 billion.

The Group published an announcement that it completed the redemption of US$1.35billion of senior notes due on 27 January, 2015 by its own capital.


# Corporate Governance Report


EVER
ACCOUNTABLE

# Corporate Governance Report

The Company recognises the value and importance of achieving high corporate governance standards consistently to the enhancement on corporate performance and accountability. The board (the "Board") of directors (the "Director(s)") of the Company is committed to abide by principles of good corporate governance to meet legal and commercial standards and requirements, focusing on areas such as internal control, fair disclosure and accountability to the shareholders of the Company, except for the following deviation from the Corporate Governance Code.

According to Code Provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting of the Company. Mr. Hui Ka Yan, the chairman of the Board, did not attend the annual general meeting held on 16 June 2014 due to work reasons.

The Company has been conducting its business according to the principles of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix 14 to the Listing Rules, and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2014.

## BOARD OF DIRECTORS

### Composition of the Board

During the year ended 31 December 2014 and up to the date of issue of this annual report, the Board of the Company comprises the following executive Directors and independent non-executive Directors.

Dr. Hui Ka Yan *(Chairman)*
Dr. Xia Haijun *(Vice Chairman and Chief Executive Officer)*
Mr. Li Gang *(Vice Chairman and Executive Vice President)* (resigned with effect from 1 May 2014)
Mr. Xu Wen *(Executive Director)*
Mr. Lai Lixin *(Executive Director)* *(resigned on 14 February 2014)*
Mr. Huang Xiangui *(Executive Director)* *(appointed on 14 February 2014)*
Ms. He Miaoling *(Executive Director)* *(appointed with effect from 1 May 2014)*
Mr. Tse Wai Wah *(Executive Director and Chief Financial Officer)*
Mr. Chau Shing Yim, David *(Independent Non-executive Director)*
Mr. He Qi *(Independent Non-executive Director)*
Ms. Xie Hongxi *(Independent Non-executive Director)*

Biographical details of the current members of the Board are set out on page 32 to page 39 of this annual report.

During the year ended 31 December 2014, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years until terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year. The appointments are subject to the provisions of retirement by rotation of Directors under the articles of association of the Company (the "Articles"). In accordance with the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one- third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

### Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

Under code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer ("CEO") of a listed company should be separated and should not be performed by the same individual. The Company was in compliance with code provision A.2.1 during the period under review with Dr. Hui Ka Yan being the chairman and Dr. Xia Haijun being the CEO of the Company, respectively.

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. The Company has procedures in place for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or publications and the compliance with applicable laws and regulations. For the year ended 31 December 2014, the Directors reviewed the overall effectiveness of the internal control system of the Group. An internal audit department has been established to perform regular financial and operational reviews and conduct audit on the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and function properly as planned.

The external auditors will report to the Company on the weakness in the Group's internal control and accounting procedures which have come to their attention during the course of their audit work.

The Board is responsible for performing the following corporate governance duties: (a) to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosures in the Corporate Governance Report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications.

8 Board meetings were convened by the Company during the year from 1 January 2014 to 31 December 2014. At least 14 days' notice before the date of the meeting is given for a regular Board meeting to allow all Directors to make arrangements to attend. For all other Board meetings, reasonable notices were also given.

The attendance of individual Directors at the Board meetings and general meetings held during the year ended 31 December 2014 is set out below:

| Director | Number of meetings attended/ Number of meetings held Annual General Meeting | Board Meeting |
|---|---|---|
| **Executive Director** | | |
| Hui Ka Yan | × | 418 |
| Xia Haijun | ✓ | 518 |
| Li Gang (resigned on 1 May 2014) | × | 318 |
| Xu Wen | × | 518 |
| Lai Lixin | × | 318 |
| Tse Wai Wah | ✓ | 818 |
| He Miaoling (resigned on 14 February 2014) | × | 318 |
| Huang Xiangui (appointed on 14 February 2014) | ✓ | 418 |
| **Independent non-executive Director** | | |
| Chau Shing Yim, David | ✓ | 818 |
| He Qi | ✓ | 818 |
| Xie Hongxi | ✓ | 818 |

## Committees of the Board

The Company has set up the audit committee, remuneration committee and nomination committee in respect of the Board.

## Directors' Training

During the year under review, all of the Directors of the Company have attended training sessions.

The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

## AUDIT COMMITTEE

The audit committee comprised 3 members, namely Mr. Chau Shing Yim, David, chairman of the committee, Mr. He Qi and Ms. Xie Hongxi, who were all independent non-executive Directors. The audit committee adopted the written terms of reference which were basically the same as those set forth in the code provision C.3.3 of the Corporate Governance Code. The audit committee is principally responsible for the following duties, *inter alia*:

- to provide recommendations on the appointment, re-appointment and removal of external auditors to the Board, approve the remuneration and terms of engagement of the external auditors and handle any issues related to the resignation or dismissal of the auditors;
- to review and monitor whether the external auditors are independent and objective and whether the audit procedures are effective in accordance with applicable standards;
- to formulate and implement policies for the engagement of external auditors for the provision of non-audit services;
- to monitor the integrity of the financial statements, the annual reports and accounts and the interim reports of the Company, and review the material financial reporting judgements therein;

- to review the financial control, internal control and risk management systems of the Company;

- to discuss the internal control system with the management and to ensure that the management has discharged its duties of setting up an effective internal control system;

- to review the financial and accounting policies and practices of the Group; and

- to review the external auditors' letter to the management, any material queries that the auditors made to the management in respect of the accounting records, financial accounts or systems of control as well as the management's response.

Two meetings of the audit committee were held on 28 March 2014 and 22 August 2014, respectively, to review the Group's 2013 annual results and 2014 interim results and all the committee members attended those two meetings. The audit committee has recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2015 at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2014, the emolument of the external auditor of the Company for the annual audit and review of interim financial statements amounted to RMB16,000,000. For the year ended 31 December 2014, the external auditors had not provided any non-audit services. Pursuant to the Articles, the tenure of the auditor of the Company will expire upon the conclusion of the 2014 annual general meeting.

The audit committee recommended the Board to propose the re-appointment of PricewaterhouseCoopers as the auditor of the Company at the 2014 annual general meeting.

## REMUNERATION COMMITTEE

The remuneration committee's terms of reference were basically the same as those set forth in code provision B.1.2 of the Corporate Governance Code. The majority of the members of the remuneration committee were independent non- executive Directors. For the year ended 31 December 2014, the members of the remuneration committee included Dr. Hui Ka Yan, Mr. He Qi (chairman of the remuneration committee) and Ms. Xie Hongxi.

The remuneration committee is principally responsible for the following duties:

- to make recommendations and suggestions to the Board in respect of the remuneration policy and structure of the Directors and senior management of the Company and the establishment of formal and transparent procedures for developing such remuneration policy;

- to determine the specific remuneration packages of all executive Directors and senior management;

- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- to review and approve payments to the executive Directors regarding compensation for their loss or termination of office or appointment, to ensure relevant terms of the contracts, and that the compensation is fair and not excessive for the Company;

- to review and approve the compensation arrangements involved in the termination or dismissal of Directors due to misconduct, to ensure that those arrangements are determined according to the relevant terms of the contracts, and that the compensation is reasonable and appropriate; and

- to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

One meeting was convened by the remuneration committee was held on 9 October 2014 to review the remuneration for the directors and senior management of the Company.

## NOMINATION COMMITTEE

The nomination committee's terms of reference were basically the same as those set forth in code provision A.5.2 of the Corporate Governance Code. The majority of the members of the nomination committee were independent non-executive Directors. For the year ended 31 December 2014, the members of the nomination committee included Dr. Hui Ka Yan, chairman of the committee, Mr. He Qi and Mr. Chau Shing Yim, David.

The nomination committee is principally responsible for the following duties:

- to review the structure, size and composition (including skills, knowledge and experience) of the Board on a regular basis, and make recommendations and suggestions to the Board on any proposed changes;
- to identify individuals with suitable qualifications to serve as members of the Board, and select and nominate the relevant persons to serve as Directors or make recommendations and suggestions to the Board in this regard;
- to appraise the independence of the independent non-executive Directors in accordance with the provisions of applicable laws, regulations and rules; and
- to make recommendations and suggestions to the Board regarding the appointment and re-appointment of Directors by the Company and succession plan for Directors (especially the chairman and CEO, if any, of the Company).

During the year ended 31 December 2014, one meetings were convened by the nomination committee to consider candidates to fill the vacancies left by the resignation of two executive Directors, Mr. Li Gang and Mr. Lai Lixin. The terms of reference of the nomination committee were amended during the year to include the diversity policy of the Group.

## SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the year ended 31 December 2014.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Company has received, from each of Xin Xin (BVI) Limited and Dr. Hui Ka Yan, an annual declaration on the compliance with the deed of non-competition (the "Deed") entered into by each of them in favour of the Company pursuant to which each of Xin Xin (BVI) Limited and Dr. Hui Ka Yan has unconditionally undertaken to the Company that it/he will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in any business which may compete with that of the Group. The independent non-executive Directors have reviewed and were satisfied that each of Xin Xin (BVI) Limited and Dr. Hui Ka Yan has complied with the Deed for the year ended 31 December 2014.

## AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2014, the Company has not amended its memorandum of association or its articles of association.

## SHAREHOLDERS' RIGHTS

Right to convene an extraordinary general meeting ("EGM") (including the right of making proposals/moving resolutions at the EGM).

Any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving resolutions at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving resolutions at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong, for the attention of the Company Secretary.

If within 21 days of the deposit of the Requisition the Board has not notified the Eligible Shareholders and fails to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such meeting shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

## RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director, the shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (not the person to be nominated). The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for the election of Directors of the Company and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company (the "Nomination Committee") and the Board of the Company to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

## DISCLAIMERS

The contents of the section headed "Shareholders' Rights" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

## INVESTOR RELATIONSHIP

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. During the year under review, the Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

| | |
|---|---|
| By telephone: | (852) 2287 9208/2287 9218/2287 9207 |
| By post: | Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong |
| By email: | evergrandeir@evergrande.com |

# Report of the Board of Directors

The Directors of the Company are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2014 of the Group.

## MAJOR BUSINESS

The Group is a developer of large scale quality residential property projects and a leader adopting a standardised operational model in China to manage various projects in different cities across China. The Group is also engaged in other new industries in China including (i) spring water, (ii) grain and oil, (iii) dairy and (iv) health. The analysis of the revenue of the Group during the year is set out in Note 5 to the financial statements.

## FINANCIAL STATEMENTS

The results of the Group during the year are set out in the consolidated statement of comprehensive income. The financial position of the Group as at 31 December 2014 is set out in the consolidated balance sheet. The cash flow position of the Group during the year is set out in the consolidated statement of cash flows.

## CAPITAL

The changes in the capital of the Group during the year are set out in Note 19 to the financial statements.

## FINAL DIVIDEND

The Board recommended a final dividend for the year ended 31 December 2014 of RMB0.43 per share to shareholders whose names appear on the register of members on 18 June 2015. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 17 June 2015. The final dividend will be paid on or before 3 July 2015.

The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the annual general meeting to be held on 12 June 2015.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 10 June 2015 to 12 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 9 June 2015.

For determining entitlement to the proposed final dividend, the register of members of the Company will be closed from 18 June 2015 to 23 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 June 2015.

## RESERVE

Details of the changes in reserve of the Group during the year are set out in Note 20 to the financial statements.

## PROPERTY AND EQUIPMENT

The changes in property and equipment during the year are set out in Note 6 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, purchases from the Group's single largest supplier accounted for approximately 11% of the Group's total purchases, and the purchases from the Group's five largest suppliers accounted for 34% of the Group's total purchases.

The percentage of turnover attributable to the Group's five largest customers in aggregate was less than 30% of the Group's total turnover. The Company was not aware of any of the Directors or their connected persons and shareholders holding over 5% of the interest in the share capital of the Company having any interest in the above suppliers and customers.

## DONATION

During the year, the charitable contributions and other donations made in Hong Kong and China by the Group totalled RMB311 million.

## DIRECTORS

The Directors in office during the year and as of the date of this report are as follows:

## EXECUTIVE DIRECTORS

Dr. Hui Ka Yan
Dr. Xia Haijun
Mr. Li Gang *(resigned with effect from 1 May 2014)*
Mr. Xu Wen
Mr. Lai Lixin *(resigned on 14 February 2014)*
Mr. Tse Wai Wah
Mr. Huang Xiangui *(appointed on 14 February 2014)*
Ms. He Miaoling *(appointed with effect from 1 May 2014)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

Biographical details of the Directors and senior management are set forth in the section headed "Directors and Administrative Structure" of this report.

Pursuant to Article 16.18 of the Articles, Mr. Tse Wai Wah, Mr. Xu Wen and Mr. Chau Shing Yim, David will retire in the forthcoming AGM, and being eligible, will offer themselves for re-election.

## SERVICE CONTRACTS OF DIRECTORS

There was no service contract that cannot be terminated by the Company without compensation (other than statutory compensation) within one year, entered into by the Company with any Directors proposed to be re-elected in the forthcoming AGM of the Company.

## DIRECTORS' INTERESTS IN CONTRACTS

There was no significant contract with any member of the Group being a party therein and in which the Directors of the Company had direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

## DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

None of the Directors or their respective associates has an interest in any business which competes or may compete with the business of the Group. Xin Xin (BVI) Limited is beneficially owned by our chairman, Dr. Hui Ka Yan, who is the controlling shareholder of the Company. The controlling shareholders have provided annual confirmation of their compliance with the deed of non-competition undertaken by them. The independent non-executive Directors have reviewed whether the controlling shareholders abided by the non-competition undertaking and confirmed that no controlling shareholder had violated the non-competition undertaking given by them.

## SHARE OPTION SCHEME

On 14 October 2009, the Company adopted a share option scheme ("Share Option Scheme") whereby the Board can grant options for the subscription of the shares of the Company to the employees, executives and officers of the Group and such other persons that the Board considers to contribute or having contributed to the Group (the "Participants") as described in the Share Option Scheme for the purposes of providing incentives and rewards for their contributions to the Group.

On 14 April 2010, the maximum number of shares that can be issued under the Share Option Scheme was 1,500,000,000 Shares, representing 10% of the issued share capital of the Company. The number of Shares in respect of these options that may be granted according to the Share Option Scheme shall not exceed 10% of the issued Shares of the Company immediately after the completion of the Global Offering (as defined in the prospectus) of the Company. Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

There is no minimum period for which the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, provided that no options shall be exercised 10 years after they have been granted.

The exercise price of the options shall not be lower than the highest of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

Each grantee shall pay a consideration of HK$1.00 at the time the option is granted.

The Share Option Scheme has taken effect and will remain effective within a period of 10 years from the date of adoption. Other details of the Share Option Scheme are set out in the prospectus.

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. The details of the options granted are as follows:

| Grantees | Date of grant of options | Exercise period | Exercise price (HK$) | Number of options granted | Number of options outstanding as at 1 January 2014 | Number of options exercised/ lapsed/ cancelled during the year | Number of options outstanding as at 31 December 2014 |
|---|---|---|---|---|---|---|---|
| 5 Directors | 18 May 2010 | Note 1 | 2.40 (Note 2) | 113,000,000 | 112,500,000 | 68,527,000 | 43,973,000 |
| 130 other employees | 18 May 2010 | Note 1 | 2.40 | 600,000,000 | 397,636,000 | 192,223,000 | 205,413,000 |
| 8 Directors | 9 October 2014 | Note 3 | 3.05 | 138,000,000 | — | — | 138,000,000 |
| 93 employees | 9 October 2014 | Note 3 | 3.05 | 392,000,000 | — | — | 392,000,000 |
| | | | | 1,243,000,000 | 510,136,000 | 260,750,000 | 779,386,000 |

Notes:

1. The options with respect to a Participant will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2010 to 31 December 2015;

   (ii) the second tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2011 to 31 December 2016;

   (iii) the third tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2012 to 31 December 2017;

   (iv) the fourth tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2013 to 31 December 2018; and

   (v) the fifth tranche of remaining Shares that are subject of the options granted will be exercisable at any time during the period from 31 December 2014 to 13 October 2019.

2. The closing price of the Shares on the date of grant of the options was HK$2.27 per share.

3. The options with respect to a Participant will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2016;

   (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2017;

   (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2018;

   (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2019;

   (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 and ending on the expiry date of the Option Period.

4. The expiry date of the Share Option Scheme is 13 October 2019, being the date of not more than 10 years pursuant to Rule 17.03(11) of the Listing Rules.

5. Valuation of the options granted

   The valuation of options granted for the year ended 31 December 2014 was determined based on the binomial lattice model with the following assumptions:

| | |
|---|---|
| Date of grant | 9 October 2014 |
| Closing share price on the date of grant | HK$3.05 |
| Exercise price per share | HK$3.05 |
| Annual risk free rate | |
| | 0.34% p.a. for 2-year option |
| | 0.75% p.a. for 3-year option |
| | 1.22% p.a. for 4-year option |
| | 1.27% p.a. for 5-year option |
| | 1.81% p.a. for 10-year option |
| Expected volatility | 39% p.a. for the 2-year options and 49% for the 3-year, 4-year, 5-year and 10-year options |
| Term of the option | 2–10 years |
| Expected dividend yield | 5.70% p.a. |

   The fair value of each option:

| Vesting period | Directors | Other employees |
|---|---|---|
| 1 year after grant date | HK$0.4848 | HK$0.4965 |
| 2 years after grant date | HK$0.7429 | HK$0.7559 |
| 3 years after grant date | HK$0.8076 | HK$0.8191 |
| 4 years after grant date | HK$0.8447 | HK$0.8548 |
| 5 years after grant date | HK$1.0325 | HK$0.9959 |

## PRE-IPO SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme on 14 October 2009 ("Pre-IPO Share Option Scheme"). The purposes and main terms of the Pre-IPO Share Option Scheme are similar to that of the Share Option Scheme, except for the following major terms:

(a) The subscription price per share shall be equal to the offer price of the Shares under the global offering, being HK$3.50 per share;

(b) As at 31 December 2014, the total number of Shares involved in the Pre-IPO Share Option Scheme was 117,299,000 shares, representing approximately 1.05% of the Shares in issue of the Company; and

(c) No further options shall be offered or granted since the date on which the Shares are traded on the Stock Exchange. Details of the outstanding options granted pursuant to the Pre-IPO Share Option Scheme are set out below:

| Grantees | Date of grant of options | Number of options granted | Number of Pre-IPO share options outstanding as at 1 January 2014 | Number of options exercised/ cancelled/ lapsed during the year | Number of Pre-IPO share options outstanding as at 31 December 2014 |
|---|---|---|---|---|---|
| 4 Directors | 14 October 2009 | 38,000,000 | 38,000,000 | 20,000,000 | 18,000,000 |
| Other employees | 14 October 2009 | 170,000,000 | 129,929,000 | 30,630,000 | 99,299,000 |
| Total | | 208,000,000 | 167,929,000 | 50,630,000 | 117,299,000 |

## DEBENTURE

At any time during the year, neither the Company nor its holding company or its subsidiaries was a party to any arrangements to enable the Directors acquire benefits by means of acquisition of the shares or debentures of the Company or any other body corporate.

## INTEREST AND SHORT POSITIONS OF DIRECTORS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2014, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

## (i) Interest in the Shares of the Company

| Names of Director | Nature of interest | Number of Shares | Approximate percentage of shareholding |
|---|---|---|---|
| Hui Kai Yan (Note 1) | Interest of controlled corporation | 10,162,119,735(L) | 69.66% |

Note:

(1) Of the 10,162,119,735 Shares held, 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Dr. Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company wholly owned by Dr. Hui Ka Yan's spouse, Ms. Ding Yumei ("Mrs Hui"). The interest of Even Honour Holdings Limited in the Company is also deemed to be held by Dr Hui pursuant to the SFO.

## (ii) Interest in the underlying shares of the Company

### (a) Pre-IPO Share Option Scheme

| Names of Director | Nature of interest | Number of Shares outstanding involved in the options granted under the Pre-IPO Share Option Scheme | Approximate percentage of shareholding of those options granted and exercised under the Pre-IPO Share Option Scheme based on the existing issued share capital of the Company |
|---|---|---|---|
| He Miaoling | Beneficial owner | 6,000,000 | 0.04% |
| Tse Wai Wah | Beneficial owner | 6,000,000 | 0.04% |
| Xu Wen | Beneficial owner | 6,000,000 | 0.04% |

Note: The Pre-IPO Share Options are exercisable at HK$3.50 per Share.

### (b) Share Option Scheme (Granted on 18 May 2010)

| Names of Director | Nature of interest | Number of Shares outstanding involved in the options granted under the Share Option Scheme | Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company |
|---|---|---|---|
| Xia Haijun | Beneficial owner | 20,138,000 | 0.13% |
| He Miaoling | Beneficial owner | 2,335,000 | 0.02% |
| Tse Wai Wah | Beneficial owner | 9,000,000 | 0.06% |
| Xu Wen | Beneficial owner | 11,000,000 | 0.07% |
| Huang Xiangui | Beneficial owner | 1,500,000 | 0.01% |

Note: The exercise price of the share options granted on 18 May 2010 was HK$2.40 per Share.

### (iii) Interest in associated corporation of the Company

| Names of Director | Name of associated corporation | Number of securities | Approximate percentage of shareholding |
|---|---|---|---|
| Hui Kai Yan (Note 1) | Even Honour Holdings Limited | 1 share | 100% |

Note: Pursuant to the SFO, Even Honour Holdings Limited is wholly owned by the spouse of Dr. Hui Ka Yan and is deemed to be an associated corporation of the Company.

### (iv) Interest in debentures of the Company

| Names of Director | Currency of debentures | Amount of debenture bought | Amount of debentures in same class in issue |
|---|---|---|---|
| Xia Haijun | US$ | 3,500,000 | 1,500,000,000 |
| Tse Wai Wah | CNY | 1,500,000 | 3,700,000,000 |

Save as disclosed above, as at 31 December 2014, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 31 December 2014, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

| Name of shareholder | Nature of interest held | Interest in the shares | Approximate percentage of shareholding |
|---|---|---|---|
| Mrs. Hui | Interest of controlled company | 10,162,119,735(L) (Note 1) | 69.66% |
| Xin Xin (BVI) Limited | Beneficial owner | 9,370,871,497(L) (Note 2) | 64.23% |
| Even Honour Holdings Limited | Beneficial owner | 791,248,238(L) (Note 3) | 5.42% |

Notes:

1. Of the 10,162,119,735 Shares held, 791,248,238 Shares were held by a company wholly owned by Mrs Hui, and 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Dr Hui Ka Yan, the spouse of Mrs. Hui. The interest of Xin Xin (BVI) Limited in the Company is also deemed to be held by Mrs Hui pursuant to the SFO.

2. Xin Xin (BVI) Limited is beneficially owned by Dr. Hui Ka Yan.

3. Even Honour Holdings Limited is wholly owned by Mrs. Hui.

## SUBSIDIARIES

Details of the major subsidiaries of the Company as at 31 December 2014 are set out in Note 44 to the financial statements.

## MANAGEMENT CONTRACTS

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

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had an aggregate of 77,057 employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and current market rate.

## CORPORATE GOVERNANCE

The Company strives to maintain a high corporate governance standard and has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules. Further information of the corporate governance practices of the Company is set out in the Corporate Governance Report section of this annual report.

## FOREIGN EXCHANGE RISKS

Details of the foreign exchange risks are set out in Note 3(a)(i) to the financial statements.

## PURCHASE, SALE AND REPURCHASE OF SHARES

During 2014, the Company repurchased from the market a total of 1,763,128,100 shares of the Company at price per share ranging from HK$2.80 to HK$3.64 for an aggregate consideration of HK$5,849,782,895. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares o the Company are as follows:

| Month of repurchase | Number of shares repurchased HK$ | Highest price per share HK$ | Lowest price per share HK$ | Aggregate purchase price |
|---|---|---|---|---|
| January 2014 | 354,447,000 | 3.10 | 2.80 | 968,497,350 |
| February 2014 | 1,248,399,100 | 3.64 | 3.11 | 4,335,964,013 |
| July 2014 | 160,282,000 | 3.51 | 3.25 | 545,321,532 |
| | 1,763,128,100 | | | 5,849,782,895 |

During the year under review, the Company has early redeemed in full the US$1,350,000,000 13% senior notes due 2015, which were listed on the Singapore Stock Exchange, at a redemption amount equals to 100% of its principal amount (plus accrued and unpaid interests of US$50.92 on each US$1,000 of the notes). Please refer to the announcement of the Company dated 16 October 2014 for details of the early redemption.

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

## DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

## POST-BALANCE SHEET EVENTS

On 10 February 2015, the Company announced the issue of US$1 billion 12% senior notes due 2020. The notes are listed on the Singapore Stock Exchange. The issue of the notes raised fund of approximately US$995 million and was used to refinance the existing indebtedness of the Group.

On 27 February 2015, the Group acquired 647,950,000 shares of a Hong Kong listed company, New Media Group Holdings Limited ("New Media"), which represented approximately 74.99% of the existing issued shares of New Media, at a consideration of HK$950 million.

## SIX YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past six years is set out on pages 163 to 164.

## PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the articles of association of the Company or the law of the Cayman Islands which stipulates that the Company is required to offer Shares to the existing shareholders of the Company any new shares according to their respective shareholding for any fresh issue of shares.

## ADEQUATE PUBLIC FLOAT

The Company has maintained adequate public float during the year.

## AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2014. The audit and reporting responsibilities of the Company 's auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report. The Company will propose a resolution at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

For and on behalf of the Board
**Hui Ka Yan**
*Chairman*
Hong Kong, 30 March 2015

# Independent Auditor's Report

羅兵咸永道

**To the shareholders of Evergrande Real Estate Group Limited**
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Evergrande Real Estate Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 162, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

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

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888,* www.pwchk.com

## OPINION

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

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 30 March 2015

# Consolidated Balance Sheet

| | Notes | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **15,504,229** | 11,377,719 |
| Land use rights | 7 | **3,388,044** | 2,796,471 |
| Investment properties | 8 | **61,856,719** | 36,038,688 |
| Properties under development | 9 | **354,842** | 354,842 |
| Trade and other receivables | 11 | **5,221,424** | 2,626,439 |
| Intangible assets | | **368,229** | 439,600 |
| Investment accounted for using the equity method | 13 | **1,062,092** | — |
| Available-for-sale financial assets | 14 | **123,006** | 3,845,234 |
| Deferred income tax assets | 23 | **2,447,413** | 1,290,772 |
| Goodwill | 42 | **486,004** | — |
| | | **90,812,002** | 58,769,765 |
| **Current assets** | | | |
| Inventories | | **578,482** | — |
| Properties under development | 9 | **210,793,173** | 160,543,684 |
| Completed properties held for sale | 10 | **35,682,401** | 24,288,831 |
| Trade and other receivables | 11 | **16,027,027** | 9,511,811 |
| Prepayments | 12 | **47,867,990** | 39,632,002 |
| Income tax recoverable | | **2,252,960** | 1,748,660 |
| Financial assets at fair value through profit or loss | 15 | **10,949,858** | — |
| Restricted cash | 17 | **29,651,430** | 13,534,985 |
| Cash and cash equivalents | 18 | **29,846,770** | 40,118,454 |
| | | **383,650,091** | 289,378,427 |
| **Total assets** | | **474,462,093** | 348,148,192 |
| **EQUITY** | | | |
| **Capital and reserves attributable to shareholders of the Company** | | | |
| Share capital | 19 | **1,020,734** | 1,109,703 |
| Share premium | 19 | **—** | 4,227,525 |
| Reserves | 20 | **5,848,773** | 4,232,261 |
| Retained earnings | | **44,250,284** | 39,020,303 |
| | | **51,119,791** | 48,589,792 |
| Perpetual capital instruments | 21 | **52,852,179** | 25,023,773 |
| Non-controlling interests | | **8,406,034** | 5,729,069 |
| **Total equity** | | **112,378,004** | 79,342,634 |

| | Notes | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 22 | **76,401,319** | 73,021,273 |
| Other payables | 24 | **7,175,106** | 870,475 |
| Deferred income tax liabilities | 23 | **10,270,800** | 6,716,307 |
| | | **93,847,225** | 80,608,055 |
| **Current liabilities** | | | |
| Borrowings | 22 | **79,663,300** | 35,796,065 |
| Trade and other payables | 24 | **123,672,865** | 99,895,408 |
| Receipt in advance from customers | | **47,347,949** | 39,000,386 |
| Current income tax liabilities | 25 | **17,552,750** | 13,505,644 |
| | | **268,236,864** | 188,197,503 |
| **Total liabilities** | | **362,084,089** | 268,805,558 |
| **Total equity and liabilities** | | **474,462,093** | 348,148,192 |
| **Net current assets** | | **115,413,227** | 101,180,924 |
| **Total assets less current liabilities** | | **206,225,229** | 159,950,689 |

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

**Hui Ka Yan**
*Director*

**Tse Wai Wah**
*Director*

# BALANCE SHEET

| | Notes | 31 December 2014 RMB'000 | 31 December 2013 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 44 | **3,490,296** | 2,070,064 |
| Property, plant and equipment | 6 | **10,222** | 13,830 |
| | | **3,500,518** | 2,083,894 |
| **Current assets** | | | |
| Amounts due from subsidiaries and other receivables | 11 | **50,939,265** | 30,579,870 |
| Restricted cash | 17 | **4,283** | 3,652,671 |
| Cash and cash equivalents | 18 | **706,461** | 3,430,108 |
| | | **51,650,009** | 37,662,649 |
| **Total assets** | | **55,150,527** | 39,746,543 |
| **EQUITY** | | | |
| **Capital and reserves attributable to shareholders of the Company** | | | |
| Share capital | 19 | **1,020,734** | 1,109,703 |
| Share premium | 19 | **—** | 4,227,525 |
| Reserves | 20 | **1,461,159** | 1,563,332 |
| Retained earnings | 33 | **12,232,136** | 1,079,740 |
| **Total equity** | | **14,714,029** | 7,980,300 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 22 | **14,644,724** | 21,240,063 |
| | | **14,644,724** | 21,240,063 |
| **Current liabilities** | | | |
| Borrowings | 22 | **3,210,540** | 6,645,254 |
| Amounts due to subsidiaries and other payables | 24 | **22,581,234** | 3,880,926 |
| | | **25,791,774** | 10,526,180 |
| **Total liabilities** | | **40,436,498** | 31,766,243 |
| **Total equity and liabilities** | | **55,150,527** | 39,746,543 |
| **Net current assets** | | **25,858,235** | 27,136,469 |
| **Total assets less current liabilities** | | **29,358,753** | 29,220,363 |

The notes on pages 80 to 162 are an integral part of these financial statements.

**Hui Ka Yan**
*Director*

**Tse Wai Wah**
*Director*

# Consolidated Statement of Comprehensive Income

| | Notes | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **111,398,112** | 93,671,780 |
| Cost of sales | 28 | **(79,614,503)** | (66,023,022) |
| **Gross profit** | | **31,783,609** | 27,648,758 |
| Fair value gains on investment properties | 8 | **9,392,928** | 5,815,221 |
| Other gains | 26 | **533,856** | — |
| Other income | 27 | **1,430,590** | 1,041,322 |
| Selling and marketing costs | 28 | **(9,153,524)** | (4,309,728) |
| Administrative expenses | 28 | **(4,038,437)** | (3,472,494) |
| Other operating expenses | 28 | **(1,396,449)** | (1,679,337) |
| **Operating profit** | | **28,552,573** | 25,043,742 |
| Fair value gain on financial assets at fair value through profit or loss | 15 | **3,758,100** | — |
| Finance income | 31 | **—** | 386,550 |
| Finance costs | 31 | **(1,015,274)** | (33,932) |
| Share of loss of investments accounted for using the equity method | 13 | **(104,230)** | — |
| **Profit before income tax** | | **31,191,169** | 25,396,360 |
| Income tax expenses | 32 | **(13,175,091)** | (11,687,328) |
| **Profit for the year** | | **18,016,078** | 13,709,032 |
| **Other comprehensive income** | | | |
| Item that may be reclassified to profit or loss | | | |
| Change in value of available-for-sale financial assets, net of tax | 14 | **157,235** | (157,235) |
| **Other comprehensive income for the year, net of tax** | | **157,235** | (157,235) |
| **Total comprehensive income for the year** | | **18,173,313** | 13,551,797 |
| **Profit attributable to:** | | | |
| Shareholders of the Company | | **12,604,053** | 12,611,778 |
| Holders of perpetual capital instruments | | **4,338,756** | 656,559 |
| Non-controlling interests | | **1,073,269** | 440,695 |
| | | **18,016,078** | 13,709,032 |

| | Notes | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Total comprehensive income attributable to:** | | | |
| Shareholders of the Company | | **12,761,288** | 12,454,543 |
| Holders of perpetual capital instruments | | **4,338,756** | 656,559 |
| Non-controlling interests | | **1,073,269** | 440,695 |
| | | **18,173,313** | 13,551,797 |
| Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share) | | | |
| – Basic earnings per share | 34 | **0.854** | 0.789 |
| – Diluted earnings per share | 34 | **0.849** | 0.782 |

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

| | Notes | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| Dividends | 35 | **6,273,296** | 6,337,987 |

# Consolidated Statement of Changes In Equity

| | Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Perpetual capital instruments RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **Balance as at 1 January 2013** | 1,043,317 | 2,901,986 | 6,546,500 | 27,771,925 | 38,263,728 | – | 3,427,597 | 41,691,325 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | – | – | – | 12,611,778 | 12,611,778 | 656,559 | 440,695 | 13,709,032 |
| **Other comprehensive income** | | | | | | | | |
| Change in value of available-for-sale financial assets, net of tax | – | – | (157,235) | – | (157,235) | – | – | (157,235) |
| **Total comprehensive income** | – | – | (157,235) | 12,611,778 | 12,454,543 | 656,559 | 440,695 | 13,551,797 |
| **Transactions with owners** | | | | | | | | |
| Transfer to statutory reserves | – | – | 1,363,400 | (1,363,400) | – | – | – | – |
| Issuance of shares pursuant to the option scheme | 3,489 | 154,227 | (45,278) | – | 112,438 | – | – | 112,438 |
| Employee share option schemes | – | – | 55,404 | – | 55,404 | – | – | 55,404 |
| Issuance of shares | 62,897 | 3,463,259 | – | – | 3,526,156 | – | – | 3,526,156 |
| Dividends | – | (2,291,947) | – | – | (2,291,947) | – | – | (2,291,947) |
| Issuance of perpetual capital instruments | – | – | – | – | – | 24,367,214 | – | 24,367,214 |
| Changes in ownership interests in subsidiaries without change of control | – | – | (3,530,530) | – | (3,530,530) | – | (136,939) | (3,667,469) |
| Capital injection from non-controlling interests | – | – | – | – | – | – | 1,025,017 | 1,025,017 |
| Acquisition of subsidiaries | – | – | – | – | – | – | 972,699 | 972,699 |
| **Total transactions with owners** | 66,386 | 1,325,539 | (2,157,004) | (1,363,400) | (2,128,479) | 24,367,214 | 1,860,777 | 24,099,512 |
| **Balance as at 31 December 2013** | 1,109,703 | 4,227,525 | 4,232,261 | 39,020,303 | 48,589,792 | 25,023,773 | 5,729,069 | 79,342,634 |

| | Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** RMB'000 | **Share premium** RMB'000 | **Reserves** RMB'000 | **Retained earnings** RMB'000 | **Total** RMB'000 | **Perpetual capital instruments** RMB'000 | **Non-controlling interests** RMB'000 | **Total** RMB'000 |
| **Balance as at 1 January 2014** | 1,109,703 | 4,227,525 | 4,232,261 | 39,020,303 | 48,589,792 | 25,023,773 | 5,729,069 | 79,342,634 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | — | — | — | 12,604,053 | 12,604,053 | 4,338,756 | 1,073,269 | 18,016,078 |
| **Other comprehensive income** | | | | | | | | |
| Change in value of available-for-sale financial assets, net of tax | — | — | 157,235 | — | 157,235 | — | — | 157,235 |
| **Total comprehensive income** | — | — | 157,235 | 12,604,053 | 12,761,288 | 4,338,756 | 1,073,269 | 18,173,313 |
| **Transactions with owners** | | | | | | | | |
| Transfer to statutory reserves | — | — | 1,513,739 | (1,513,739) | — | — | — | — |
| Issuance of shares pursuant to the option scheme | 18,789 | 858,977 | (252,156) | — | 625,610 | — | — | 625,610 |
| Employee share option schemes | — | — | 42,225 | — | 42,225 | — | — | 42,225 |
| Repurchase of shares (note 19) | (107,758) | (4,096,810) | 107,758 | (512,038) | (4,608,848) | — | — | (4,608,848) |
| Dividends (note 35) | — | (989,692) | — | (5,348,295) | (6,337,987) | — | — | (6,337,987) |
| Issuance of perpetual capital instruments (note 21) | — | — | — | — | — | 26,346,737 | — | 26,346,737 |
| Redemption of perpetual capital instruments | — | — | — | — | — | (960,000) | — | (960,000) |
| Distribution to holders of perpetual capital instruments | — | — | — | — | — | (1,897,087) | — | (1,897,087) |
| Changes in ownership interests in subsidiaries without change of control (note 41) | — | — | 47,711 | — | 47,711 | — | 398,136 | 445,847 |
| Capital injection from non-controlling interests | — | — | — | — | — | — | 1,133,638 | 1,133,638 |
| Acquisition of subsidiaries (note 42) | — | — | — | — | — | — | 71,922 | 71,922 |
| **Total transactions with owners** | (88,969) | (4,227,525) | 1,459,277 | (7,374,072) | (10,231,289) | 23,489,650 | 1,603,696 | 14,862,057 |
| **Balance as at 31 December 2014** | 1,020,734 | — | 5,848,773 | 44,250,284 | 51,119,791 | 52,852,179 | 8,406,034 | 112,378,004 |

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

| | Notes | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Cash flows of operating activities** | | | |
| Net cash used in operations | 36 | **(24,101,242)** | (25,195,048) |
| PRC corporate income tax paid | | **(5,119,549)** | (3,452,120) |
| PRC land appreciation tax paid | | **(2,186,817)** | (2,397,485) |
| Interest paid | | **(14,076,928)** | (7,826,587) |
| **Net cash used in operating activities** | | **(45,484,536)** | (38,871,240) |
| **Cash flows of investing activities** | | | |
| Additions of property, plant and equipment and investment properties | | **(8,426,742)** | (11,781,545) |
| Purchase of land use rights | 7 | **(570,592)** | (476,978) |
| Purchase of intangible assets | | **(143,979)** | (195,797) |
| Purchase of available-for-sale financial assets | 14 | **(2,104,896)** | (4,054,881) |
| Proceeds from disposal of available-for-sale financial assets | | **5,851,212** | — |
| Dividend received | 27 | **209,945** | — |
| Investment in associates | 13 | **(79,601)** | — |
| Purchase of financial assets at fair value through profit or loss | 15 | **(7,191,758)** | — |
| Advances made to associates and joint venture | | **(673,889)** | — |
| Proceeds from disposal of property, plant and equipment | | **76,063** | — |
| Acquisition of subsidiaries, net of cash received | 42 | **(1,080,021)** | (109,044) |
| Disposal of a subsidiary | | **(15,252)** | — |
| Interest received | 27 | **312,007** | 120,396 |
| Proceeds from disposal of investment properties | | **1,446,729** | 3,363,353 |
| **Net cash used in investing activities** | | **(12,390,774)** | (13,134,496) |

| | Notes | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Cash flows of financing activities** | | | |
| Proceeds from senior notes | | — | 9,109,469 |
| Repayments of senior notes | | (13,647,654) | — |
| Interest paid to unit holders of consolidated investment entities | | (99,720) | — |
| Proceeds from unit holders of consolidated investment entities | | 5,500,000 | — |
| Proceeds from borrowings | | 117,718,147 | 65,258,558 |
| Repayments of borrowings | | (56,823,212) | (25,462,919) |
| Issuance of ordinary shares pursuant to share option scheme | | 625,610 | 112,438 |
| Issuance of ordinary shares | | — | 3,526,156 |
| Repurchase of shares | 19 | (4,608,848) | — |
| Repayment made to non-controlling interests | | (7,815,658) | — |
| Advances made from non-controlling interests | | — | 8,011,361 |
| Restricted cash pledged for bank borrowings | | (11,981,642) | (5,575,656) |
| Proceeds from perpetual capital instruments | 21 | 26,346,737 | 24,367,214 |
| Distribution to holders of perpetual capital instruments | | (1,897,087) | — |
| Redemption of perpetual capital instruments | | (960,000) | — |
| Capital injection from non-controlling interests | | 1,133,638 | 1,025,017 |
| Changes in ownership of non-controlling interests in subsidiaries | | 445,847 | (3,667,469) |
| Dividends paid | 35 | (6,337,987) | (2,291,947) |
| **Net cash generated from financing activities** | | 47,598,171 | 74,412,222 |
| **Net (decrease)/increase in cash and cash equivalents** | | (10,277,139) | 22,406,486 |
| Cash and cash equivalents at beginning of year | | 40,118,454 | 17,790,320 |
| Exchange gain/(loss) on cash and cash equivalents | | 5,455 | (78,352) |
| **Cash and cash equivalents at end of year** | | 29,846,770 | 40,118,454 |

The notes on pages 80 to 162 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

Evergrande Real Estate Group Limited (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the "Group") are principally engaged in the property development, property investment, property management, property construction, hotel, other property development related services and fast consuming industry in the People's Republic of China (the "PRC"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2009.

These consolidated financial statements are presented in Renminbi Yuan ("RMB") thousands, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 30 March 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014. The adoption of these new and amended standards does not have any significant impact to the results or financial position of the Group.

| | |
|---|---|
| HKAS 32 (Amendment) | "Financial instruments: Presentation" on offsetting financial assets and financial liabilities |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment) | Consolidation for investment entities |
| HKAS 36 (Amendment) | "Impairment of assets" on the recoverable amount disclosures for non-financial assets |
| HKAS 39 (Amendment) | "Financial Instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting |
| HK(IFRIC)-Int 21 | Levies |

#### (ii) New and amended standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

| Standards/ Amendments/ Interpretation | Subject of amendment | Effective for annual periods beginning on or after |
|---|---|---|
| HKFRSs (Amendment) | Annual improvements 2010–2012 cycle | 1 July 2014 |
| HKAS 19 (Amendment) | Defined benefit plans: Employee contribution | 1 July 2014 |
| HKFRS (Amendments) | Annual improvements 2012 and 2013 | 1 July 2014 |
| HKAS 16 (Amendment) and HKAS 41 (Amendment) | Bearer | 1 January 2016 |
| HKFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| HKFRS 11 (Amendment) | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| HKAS 16 (Amendment) and HKAS 38 (Amendment) | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| HKFRS 10 (Amendment) and HKAS 28 (Amendment) | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| HKAS 27 (Amendments) | Equity method in separate financial statements | 1 January 2016 |
| HKAS 1 (Amendments) | Clarify guidance on some disclosure initiative | 1 January 2016 |
| HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 28 (Amendment) | Investment entities: applying the consolidation exception | 1 January 2016 |
| Annual improvements 2014 | Annual improvements 2012–2014 | 1 July 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| HKFRS 9 | Financial instruments | 1 January 2018 |

The management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

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

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

### (b) Consolidation

#### (i) Subsidiaries

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

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

#### (ii) Business combinations

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

Acquisition-related costs are expensed off as incurred.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### (ii) Business combinations (Continued)

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

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

#### (iii) Changes in ownership interests in subsidiaries without change of control

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

#### (iv) Disposal of subsidiaries

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

#### (v) Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Associates

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

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

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

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

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

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

### (d) Joint arrangements

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Joint arrangements (Continued)

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

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

### (e) Segment reporting

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

### (f) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

#### (ii) Transactions and balances

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

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated statement of comprehensive income within 'finance income/(costs), net'. All other foreign exchange gain and losses are presented in the consolidated statement of comprehensive income within 'Administrative expenses'.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Foreign currency translation (Continued)

#### (iii) Group entities

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

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement of the group entities are translated at average exchange rates; and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

### (g) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

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

| | |
|---|---|
| Plant & buildings | 20–30 years |
| Machinery | 5–10 years |
| Transportation equipment | 4–10 years |
| Furniture, fitting and equipment | 3–8 years |

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the statement of comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Property, plant and equipment (Continued)

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### (h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Property relevant and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

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

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commences to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Intangible asset

#### (i) Sport players

The Group operates certain sport clubs. The costs associated with the acquisition of players' registrations are capitalised as intangible assets at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Costs associated with the acquisition of players' registrations include transfer fees, agents' fees and other directly attributable costs. These costs are amortised over the period covered by the player's contract. To the extent that a player's contract is extended, the remaining book value is amortised over the remaining revised contract life. The Group will perform an impairment review on intangible assets, including player registrations, if adverse events indicate that the amortised carrying value of the asset may not be recoverable.

#### (ii) Water resource license

Water resource license acquired in a business combination are recognised at fair value at the acquisition date. Water resource license have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of water resource license over their estimated useful lives.

#### (iii) Brand name

Brand name acquired in a business combination are recognised at fair value at the acquisition date. Brand name have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand name over its estimated useful lives of 10 years.

#### (iv) Copy rights

Copy rights are acquired and are recognised at historical cost. Copy rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of copy rights over its estimated useful lives of 20 years.

#### (v) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from three to five years over the expected life of the customer relationship.

#### (vi) Computer software

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

#### (vii) Goodwill

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Intangible asset (Continued)

#### (vii) Goodwill (Continued)

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

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

### (j) Impairment of non-financial assets

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

### (k) Financial assets

#### (i) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Financial assets (Continued)

#### (i) Classification (Continued)

Available-for-sale financial assets

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

#### (ii) Recognition and measurement

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'fair value gain on financial assets at fair value through profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

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

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

Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established.

#### (iii) Offsetting financial instruments

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

### (l) Impairment of financial assets

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (i) Assets carried at amortised cost (Continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

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

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

### (n) Completed properties held for sale

Completed properties remaining unsold at the end of each relevant year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (p) Trade and other receivables

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

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

### (q) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are classified as “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the cash flow statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Share capital

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

Where any group company purchases the company's share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

### (s) Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

### (t) Trade and other payables

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

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

### (u) Borrowings

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

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

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

### (v) Borrowing costs

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

### (x) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Retirement benefits

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Employee benefits (Continued)

#### (ii) Retirement benefits (Continued)

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

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

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

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### (y) Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Share-based payments (Continued)

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

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### (z) Provisions and contingent liabilities

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

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### (aa) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group’s activities. Revenue is shown, net of discount and after eliminated sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, and type of transaction and the specifics of each arrangement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (aa) Revenue recognition (Continued)

#### (i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

As disclosed in note 38, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate. In order to obtain mortgages, the purchasers would have settled no less than 30% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, defaults of mortgage facilities by the purchasers which resulted in the bank guarantees were called upon were rare and the financial impact was immaterial. Further, as disclosed in note 3(a)(iv), the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

#### (ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered, using a straight-line basis over the term of the contract.

#### (iii) Construction and decoration services

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

#### (iv) Hotel operations

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

#### (v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continued unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (vi) Rental income

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (aa) Revenue recognition (Continued)

#### (vii) Advertising revenue

Advertising revenue is recognised when the related advertisement appears before the public.

#### (viii) Sales of goods

The Group manufactures and sells a range of consumer products, including bottled spring water product, grain and oil product and dairy product in wholesale and retail market. Revenue from sales of goods are recognised when the products have been delivered to the customers.

### (ab) Leases

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

#### (i) The Group is the lessee other than operating lease of land use rights

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

#### (ii) The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

#### (iii) The Group is the lessor

Assets leased out under operating leases are included in investment properties in the balance sheets.

### (ac) Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where applicable.

### (ad) Financial guarantee liabilities

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

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

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

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2014, the non-RMB assets and liabilities of the Group are mainly cash and cash equivalent and restricted cash denominated in US$, bank borrowings in US$ and HK$, and senior notes denominated in US$. The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against US$, with all other variables held constant, post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately RMB380 million (2013: increase/decrease by approximately RMB359 million).

#### (ii) Price risk

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group, which are publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately RMB547 million (2013:nil), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB6 million higher/lower (2013: 192 million higher/lower).

#### (iii) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2014, if interest rate on borrowings had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2014 would decrease/increase by approximately RMB135 million (2013: decrease/increase by approximately RMB105 million), mainly as a result of more/less interest expense on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (iv) Credit risk

Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, trade and other receivables.

Deposits are only placed with reputable banks.

For credit exposures to customers, credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 38. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

#### (v) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of relevant future costs and benefits.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (v) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date.

| The Group | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2014 | | | | | |
| Borrowings | **89,230,663** | **59,431,967** | **20,799,784** | **1,002,892** | **170,465,306** |
| Trade and other payables* | **123,130,612** | **1,696,815** | **6,140,622** | **—** | **130,968,049** |
| Total | **212,361,275** | **61,128,782** | **26,940,406** | **1,002,892** | **301,433,355** |
| At 31 December 2013 | | | | | |
| Borrowings | 43,586,111 | 48,296,022 | 29,092,374 | 925,971 | 121,900,478 |
| Trade and other payables* | 98,640,481 | 979,315 | 52,800 | — | 99,672,596 |
| Total | 142,226,592 | 49,275,337 | 29,145,174 | 925,971 | 221,573,074 |

| The Company | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2014 | | | | | |
| Borrowings | **4,473,444** | **6,392,061** | **9,225,839** | **—** | **20,091,344** |
| Trade and other payables* | **22,581,234** | **—** | **—** | **—** | **22,581,234** |
| Total | **27,054,678** | **6,392,061** | **9,225,839** | **—** | **42,672,578** |
| At 31 December 2013 | | | | | |
| Borrowings | 8,912,730 | 9,770,909 | 12,904,012 | — | 31,587,651 |
| Trade and other payables* | 3,880,926 | — | — | — | 3,880,926 |
| Total | 12,793,656 | 9,770,909 | 12,904,012 | — | 35,468,577 |

* Excluding other taxes payable.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factor (Continued)

#### (v) Liquidity risk (Continued)

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (Note 38). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

— which the Company make for its subsidiaries' bank borrowings (Note 22). Such guarantees terminate upon the repayment of relevant bank borrowings.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

### (b) Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets.

The Group's strategy was to maintain a gearing ratio within 20% to 50%. The gearing ratios as at 31 December 2014 and 2013 were as follows:

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Total borrowings | **156,064,619** | 108,817,338 |
| Total assets | **474,462,093** | 348,148,192 |
| Gearing ratio | **33%** | 31% |

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

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

The available-for-sale financial assets and financial assets at fair value through profit or loss are measured subsequent to initial recognition at fair value. The available-for-sale financial assets are grouped into Level 2 fair value measurements, and the financial assets at fair value through profit or loss are grouped into Level 1 fair value measurements. There were no transfers among different categories during the year.

The nominal value less impairment provisions of trade and other receivables and the nominal value of trade and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

### (a) PRC corporate income taxes and deferred taxation

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax and withholding tax on unremitted earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

### (b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its property development projects. Accordingly, significant judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

### (c) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

### (d) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

### (e) Impairment of property, plant and equipment, and land use right

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

### (f) Estimations for total properties construction cost

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

## 5 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses which mainly include property construction, hotel, other property development related services and fast consuming products business including production and sales of spring water, grain and edible oil, and dairy product. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Fair value gain on financial assets at fair value through profit or loss, dividend income of available-for-sale financial assets, loss on disposal of available-for-sale financial assets and finance cost and income are not included in the result for each operating segment.

Revenue for the year ended 31 December 2014 consists of sales of properties, rental income of investment properties, property management services and income from other businesses, which are set out below:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Sales of properties | **107,450,063** | 92,234,923 |
| Rental income of investment properties | **144,058** | 125,890 |
| Property management services | **1,258,895** | 742,027 |
| Other businesses | **2,545,096** | 568,940 |
| | **111,398,112** | 93,671,780 |

## 5 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2014 are as follows:

| | Property development RMB'000 | Property investment RMB'000 | Property management services RMB'000 | Other businesses RMB'000 | Group RMB'000 |
|---|---|---|---|---|---|
| Gross segment revenue | 107,450,063 | 252,473 | 2,346,372 | 12,892,185 | 122,941,093 |
| Inter-segment revenue | — | (108,415) | (1,087,477) | (10,347,089) | (11,542,981) |
| Revenue | 107,450,063 | 144,058 | 1,258,895 | 2,545,096 | 111,398,112 |
| Share of post-tax loss of associates | (50,398) | — | — | — | (50,398) |
| Share of post-tax loss of a joint venture | — | — | — | (53,832) | (53,832) |
| Segment results | 21,684,419 | 9,820,102 | 45,213 | (3,125,777) | 28,423,957 |
| Fair value gain on financial assets at fair value through profit or loss | | | | | 3,758,100 |
| Dividend income of available-for-sale financial assets | | | | | 209,945 |
| Loss on disposal of available-for-sale financial assets | | | | | (185,559) |
| Finance cost | | | | | (1,015,274) |
| Profit before income tax | | | | | 31,191,169 |
| Income tax expenses | | | | | (13,175,091) |
| Profit for the year | | | | | 18,016,078 |
| Depreciation and amortisation | 546,089 | — | 6,771 | 583,555 | 1,136,415 |
| Fair value gains on investment properties | — | 9,392,928 | — | — | 9,392,928 |

## 5 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2013 are as follows:

| | Property development RMB'000 | Property investment RMB'000 | Property management services RMB'000 | Other businesses RMB'000 | Group RMB'000 |
|---|---|---|---|---|---|
| Gross segment revenue | 92,234,923 | 151,803 | 1,284,872 | 11,198,075 | 104,869,673 |
| Inter-segment revenue | — | (25,913) | (542,845) | (10,629,135) | (11,197,893) |
| Revenue | 92,234,923 | 125,890 | 742,027 | 568,940 | 93,671,780 |
| Segment results | 19,514,283 | 6,260,443 | (57,947) | (673,037) | 25,043,742 |
| Finance income | | | | | 352,618 |
| Profit before income tax | | | | | 25,396,360 |
| Income tax expenses | | | | | (11,687,328) |
| Profit for the year | | | | | 13,709,032 |
| Depreciation and amortisation | 354,550 | — | 5,752 | 666,662 | 1,026,964 |
| Fair value gains on investment properties | — | 5,815,221 | — | — | 5,815,221 |

Segment assets and liabilities as at 31 December 2014 are as follows:

| | **Property development RMB'000** | **Property investment RMB'000** | **Property management services RMB'000** | **Other businesses RMB'000** | **Group RMB'000** |
|---|---|---|---|---|---|
| Segment assets | **381,636,825** | **61,856,719** | **702,126** | **14,493,186** | **458,688,856** |
| Unallocated assets | | | | | **15,773,237** |
| Total assets | | | | | **474,462,093** |
| Segment liabilities | **165,785,295** | **—** | **644,648** | **11,765,977** | **178,195,920** |
| Unallocated liabilities | | | | | **183,888,169** |
| Total liabilities | | | | | **362,084,089** |
| Capital expenditure | **3,556,830** | **17,566,233** | **9,382** | **1,849,036** | **22,981,481** |

## 5 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 31 December 2013 are as follows:

| | Property development RMB'000 | Property investment RMB'000 | Property management services RMB'000 | Other businesses RMB'000 | Group RMB'000 |
|---|---|---|---|---|---|
| Segment assets | 291,031,738 | 36,038,688 | 635,147 | 13,557,953 | 341,263,526 |
| Unallocated assets | | | | | 6,884,666 |
| Total assets | | | | | 348,148,192 |
| Segment liabilities | 131,914,156 | — | 669,159 | 7,182,954 | 139,766,269 |
| Unallocated liabilities | | | | | 129,039,289 |
| Total liabilities | | | | | 268,805,558 |
| Capital expenditure | 1,053,556 | 8,302,428 | 10,440 | 3,087,896 | 12,454,320 |

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable, available-for-sale financial assets and financial assets at fair value through profit or loss.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets.

## 5 SEGMENT INFORMATION (Continued)

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

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Segment assets | **458,688,856** | 341,263,526 |
| Unallocated: | | |
| Income tax recoverable | **2,252,960** | 1,748,660 |
| Deferred income tax assets | **2,447,413** | 1,290,772 |
| Available-for-sale financial assets | **123,006** | 3,845,234 |
| Financial assets at fair value through profit or loss | **10,949,858** | — |
| Total assets per consolidated balance sheets | **474,462,093** | 348,148,192 |

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

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Segment liabilities | **178,195,920** | 139,766,269 |
| Unallocated: | | |
| Current income tax liabilities | **17,552,750** | 13,505,644 |
| Deferred income tax liabilities | **10,270,800** | 6,716,307 |
| Borrowings | **156,064,619** | 108,817,338 |
| Total liabilities per consolidated balance sheets | **362,084,089** | 268,805,558 |

No material revenues are derived from any single external customer (2013: none).

## 6 PROPERTY, PLANT AND EQUIPMENT

### Group

| | Buildings RMB'000 | Machinery RMB'000 | Transportation equipment RMB'000 | Furniture, fitting and equipment RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Year ended 31 December 2013 | | | | | | |
| Opening net book amount | 2,847,133 | 48,880 | 878,075 | 1,466,323 | 3,318,756 | 8,559,167 |
| Additions | 78,459 | 19,858 | 85,600 | 193,750 | 3,101,450 | 3,479,117 |
| Acquisition of a subsidiary | 10,200 | 77,954 | — | 1 | 36,936 | 125,091 |
| Transfers | 1,963,207 | 27,249 | — | 513,073 | (2,503,529) | — |
| Disposals | (12,051) | (515) | (8,661) | (10,852) | — | (32,079) |
| Depreciation | (253,940) | (12,112) | (138,362) | (349,163) | — | (753,577) |
| Closing net book amount | 4,633,008 | 161,314 | 816,652 | 1,813,132 | 3,953,613 | 11,377,719 |
| At 31 December 2013 | | | | | | |
| Cost | 5,073,860 | 202,645 | 1,232,930 | 2,575,079 | 3,953,613 | 13,038,127 |
| Accumulated depreciation | (440,852) | (41,331) | (416,278) | (761,947) | — | (1,660,408) |
| Net book amount | 4,633,008 | 161,314 | 816,652 | 1,813,132 | 3,953,613 | 11,377,719 |
| Year ended 31 December 2014 | | | | | | |
| Opening net book amount | **4,633,008** | **161,314** | **816,652** | **1,813,132** | **3,953,613** | **11,377,719** |
| Additions | **312,249** | **116,230** | **76,514** | **444,198** | **3,751,486** | **4,700,677** |
| Acquisition of subsidiaries (note 42) | **395,338** | **69,351** | **3,117** | **3,789** | **—** | **471,595** |
| Transfers | **1,146,400** | **17,518** | **—** | **830,282** | **(1,994,200)** | **—** |
| Disposals | **(43,027)** | **(842)** | **(9,107)** | **(9,828)** | **—** | **(62,804)** |
| Depreciation | **(392,585)** | **(58,211)** | **(143,665)** | **(388,497)** | **—** | **(982,958)** |
| Closing net book amount | **6,051,383** | **305,360** | **743,511** | **2,693,076** | **5,710,899** | **15,504,229** |
| At 31 December 2014 | | | | | | |
| Cost | **6,884,820** | **404,902** | **1,303,454** | **3,843,520** | **5,710,899** | **18,147,595** |
| Accumulated depreciation | **(833,437)** | **(99,542)** | **(559,943)** | **(1,150,444)** | **—** | **(2,643,366)** |
| Net book amount | **6,051,383** | **305,360** | **743,511** | **2,693,076** | **5,710,899** | **15,504,229** |

## 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

| | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Cost of sales | **298,196** | 201,544 |
| Selling and marketing costs | **124,128** | 111,120 |
| Administrative expenses | **560,634** | 440,913 |
| | **982,958** | 753,577 |

During the year ended 31 December 2014, the Group capitalised borrowing costs amounting to RMB537,234,000 (2013: RMB354,944,000) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 9.74% (2013: 9.52%).

As at 31 December 2014, property, plant and equipment of RMB6,420,040,000 (2013: RMB4,753,048,000) were pledged as collateral for the Group's bank borrowings (note 22).

### Company

| | Transportation equipment RMB'000 | Furniture, fitting and equipment RMB'000 | Total RMB'000 |
|---|---|---|---|
| Year ended 31 December 2013 | | | |
| Opening net book amount | 3,259 | 1,168 | 4,427 |
| Additions | — | 12,201 | 12,201 |
| Depreciation | (1,834) | (964) | (2,798) |
| Closing net book amount | 1,425 | 12,405 | 13,830 |
| At 31 December 2013 | | | |
| Cost | 9,059 | 15,128 | 24,187 |
| Accumulated depreciation | (7,634) | (2,723) | (10,357) |
| Net book amount | 1,425 | 12,405 | 13,830 |

## 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

### Company (Continued)

| | Transportation equipment RMB'000 | Furniture, fitting and equipment RMB'000 | Total RMB'000 |
|---|---|---|---|
| Year ended 31 December 2014 | | | |
| Opening net book amount | 1,425 | 12,405 | 13,830 |
| Additions | 2,179 | 98 | 2,277 |
| Disposal | — | (3,017) | (3,017) |
| Depreciation | (1,106) | (1,762) | (2,868) |
| Closing net book amount | 2,498 | 7,724 | 10,222 |
| At 31 December 2014 | | | |
| Cost | 11,238 | 12,209 | 23,447 |
| Accumulated depreciation | (8,740) | (4,485) | (13,225) |
| Net book amount | 2,498 | 7,724 | 10,222 |

## 7 LAND USE RIGHTS — GROUP

Land use rights are related to properties outside Hong Kong, held on leases of over 40 years:

| | Year ended 31 December | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Opening net book amount | 2,796,471 | 2,347,117 |
| Additions | 570,592 | 476,978 |
| Acquisition of subsidiaries (note 42) | 77,703 | 8,376 |
| Amortisation | (56,722) | (36,000) |
| Closing net book amount | 3,388,044 | 2,796,471 |

Land use rights comprise cost of acquiring rights to use certain land, which are located in Mainland China, for hotel buildings and self-use buildings over fixed periods.

As at 31 December 2014, land use rights of RMB1,923,320,000 (2013: RMB1,736,133,000) were pledged as collateral for the Group's bank borrowings (note 22).

## 8 INVESTMENT PROPERTIES — GROUP

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Opening net book amount | **36,038,688** | 24,941,627 |
| Additions | **17,566,233** | 8,302,428 |
| Disposals | **(1,141,130)** | (3,020,588) |
| Fair value gains on investment properties | **9,392,928** | 5,815,221 |
| Closing net book amount | **61,856,719** | 36,038,688 |
| Comprise of: | | |
| Completed | **39,726,716** | 23,954,586 |
| Under construction | **22,130,003** | 12,084,102 |

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

### (a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by CB Richard Ellis Limited ("CBRE"), an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

### (b) Valuation techniques

Valuations were based on either:

(i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

(ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

(iii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs.

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

## 8 INVESTMENT PROPERTIES — GROUP (Continued)

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

| | Property Category | Fair value as at 31 December 2014 | Valuation techniques | Unobservable inputs | Range of unobservable inputs |
|---|---|---|---|---|---|
| Completed investment properties | Commercial properties | **3,572,400** | Income capitalisation | Terminal yield | 4.00%–5.50% |
| | | | | Reversionary yield | 4.00%–5.50% |
| | | | | Capitalisation rate | 4.00%–8.00% |
| | | | | Expected vacancy rate | 0–10.00% |
| | | | | Monthly rental (RMB/ square meter /month) | 46–1,000 |
| | | **14,294,588** | Direct comparison | Market price (RMB/square meter) | 6,052–76,000 |
| | Car park | **21,859,728** | Direct comparison | Market price (RMB/per car park) | 85,850–390,800 |
| Investment properties under construction | Commercial properties | **12,154,298** | Residual method | Market price (RMB/square meter) | 4,625–24,108 |
| | | | | Budgeted cost (RMB/square meter) | 186–6,149 |
| | | | | Anticipated developer's profit margin | 2.00%–25.00% |
| | Car park | **9,975,705** | Residual method | Market price (RMB/per car park) | 90,000–200,000 |
| | | | | Budgeted cost (RMB/square meter) | 100–2,895 |
| | | | | Anticipated developer's profit margin | 2.00%–20.00% |

## 8 INVESTMENT PROPERTIES — GROUP (Continued)

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

| | Property Category | Fair value as at 31 December 2013 | Valuation techniques | Unobservable inputs | Range of unobservable inputs |
|---|---|---|---|---|---|
| Completed investment properties | Commercial properties | 3,460,350 | Income capitalisation | Terminal yield | 4.00%–5.50% |
| | | | | Reversionary yield | 4.00%–5.50% |
| | | | | Capitalisation rate | 4.00%–8.00% |
| | | | | Expected vacancy rate | 0–10.00% |
| | | | | Monthly rental (RMB/ square meter/month) | 34–616 |
| | | 7,086,706 | Direct comparison | Market price (RMB/ square meter) | 6,057–77,700 |
| | Car park | 13,407,530 | Direct comparison | Market price (RMB/ square meter) | 100,000–391,000 |
| Investment properties under construction | Commercial properties | 6,904,759 | Residual method | Market price (RMB/ square meter) | 5,367–19,000 |
| | | | | Budgeted cost (RMB/ square meter) | 100–3,910 |
| | | | | Anticipated developer's profit margin | 3.00%–30.00% |
| | Car park | 5,179,343 | Residual method | Market price (RMB/per car park) | 90,000–304,000 |
| | | | | Budgeted cost (RMB/square meter) | 100–2,178 |
| | | | | Anticipated developer's profit margin | 2.00%–25.00% |

## 8 INVESTMENT PROPERTIES — GROUP (Continued)

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

Relationship of unobservable inputs to fair value:

- The higher terminal and reversionary yield, the lower fair value;
- The higher capitalisation rate, the lower fair value;
- The higher expected vacancy, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

### (d) The following amounts have been recognised in the consolidated statement of comprehensive income:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Rental income | **144,058** | 125,890 |
| Direct operating expenses arising from investment properties that generate rental income | **(22,384)** | (9,213) |
| Direct operating expenses that did not generate rental income | **(7,073)** | (6,934) |

As at 31 December 2014, investment properties of RMB4,562,904,000 (2013: RMB2,055,615,000) were pledged as collateral for the Group's bank and other borrowings (note 22).

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Not later than one year | **200,281** | 91,314 |
| Later than one year and not later than five years | **467,303** | 211,743 |
| Later than five years | **37,189** | 104,873 |
| | **704,773** | 407,930 |

The investment properties are all located in the PRC and have lease periods of between 20 years to 50 years.

## 9 PROPERTIES UNDER DEVELOPMENT — GROUP

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Properties under development expected to be completed: | | |
| – Within one operating cycle included under current assets | **210,793,173** | 160,543,684 |
| – Beyond one operating cycle included under non-current assets | **354,842** | 354,842 |
| Properties under development comprise: | | |
| – Construction costs and capitalised expenditures | **80,941,126** | 65,921,473 |
| – Interests capitalised | **18,277,209** | 12,181,119 |
| – Land use rights | **111,929,680** | 82,795,934 |
| | **211,148,015** | 160,898,526 |

The properties under development include costs of acquiring rights to use certain lands, which are located in Mainland China, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

As at 31 December 2014, properties under development of approximately RMB96,163,947,000 (2013: RMB57,143,818,000) were pledged as collateral for the Group's bank and other borrowings (note 22).

As at 31 December 2014, land use rights included in properties under development of RMB252,768,000 (2013: RMB224,605,000) were pledged as collateral for the bank borrowings of the lands' previous owners, which will be released upon the Group's settlement of the remaining considerations for acquisition of the related land use rights amounting to RMB27,000,000.

The capitalisation rate of borrowing costs for the year ended 31 December 2014 is 9.74% (2013: 9.52%).

## 10 COMPLETED PROPERTIES HELD FOR SALE — GROUP

All completed properties held for sale are located in the PRC.

As at 31 December 2014, completed properties held for sale of approximately RMB11,708,532,000 (2013: RMB7,011,290,000) were pledged as collateral for the Group's bank borrowings (note 22).

## 11 TRADE AND OTHER RECEIVABLES

| | Group 31 December 2014 RMB'000 | 2013 RMB'000 | Company 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|---|
| Trade receivables — third parties (note (a)) | **12,218,770** | 7,207,708 | **—** | — |
| Other receivables: | **9,029,681** | 4,930,542 | **50,939,265** | 30,579,870 |
| – subsidiaries | **—** | — | **50,861,529** | 30,572,895 |
| – associate (note 40) | **1,774,107** | — | **—** | — |
| – joint venture (note 40) | **1,349** | — | **—** | — |
| – non-controlling interests (note (b)) | **999,147** | 919,241 | **—** | — |
| – third parties (note (c)) | **6,255,078** | 4,011,301 | **77,736** | 6,975 |
| | **21,248,451** | 12,138,250 | **50,939,265** | 30,579,870 |
| Less: non-current portion | **(5,221,424)** | (2,626,439) | **—** | — |
| Trade receivables — third parties (note (a)) | **(4,837,117)** | (2,255,742) | **—** | — |
| Other receivables — third parties | **(384,307)** | (370,697) | **—** | — |
| Current portion | **16,027,027** | 9,511,811 | **50,939,265** | 30,579,870 |

As at 31 December 2014 and 2013, the fair value of trade and other receivables approximated their carrying amounts.

(a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables as at the respective balance sheet dates is as follows:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Within 90 days | **4,965,824** | 2,780,845 |
| Over 90 days and within 180 days | **518,740** | 2,496,617 |
| Over 180 days and within 365 days | **4,183,408** | 1,886,747 |
| Over 365 days | **2,550,798** | 43,499 |
| | **12,218,770** | 7,207,708 |

## 11 TRADE AND OTHER RECEIVABLES (Continued)

As of 31 December 2014, trade receivables of RMB273,645,000 (31 December 2013: RMB43,499,000) were past due but not impaired. These accounts are mainly related to a number of customers who did not have a recent history of default, and the Group normally holds collateral of the properties before collection of the outstanding balances and pass the titles to the purchasers, the directors of the Company consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2014 (2013: nil). The ageing analysis of these trade receivables is as follows:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Within 1 year | **273,645** | — |
| Over 365 days | **—** | 43,499 |
| | **273,645** | 43,499 |

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

The carrying amounts of the Group's trade and other receivables are denominated in RMB.

(b) Amounts are unsecured and interest free.

(c) Amounts mainly consist of the deposits for construction projects.

## 12 PREPAYMENTS — GROUP

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Prepaid business taxes and other taxes | **1,825,948** | 1,462,913 |
| Prepayments and advances to third parties: | **46,042,042** | 38,169,089 |
| – for acquisition of land use rights | **44,887,471** | 37,605,691 |
| – others | **1,154,571** | 563,398 |
| | **47,867,990** | 39,632,002 |

## 13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD — GROUP

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Associates | **29,203** | — |
| A joint venture | **1,032,889** | — |
| | **1,062,092** | — |

The amounts recognised in the income statement are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Share of loss of associate | **(50,398)** | — |
| Share of loss of the joint venture | **(53,832)** | — |
| | **(104,230)** | — |

### Interests in associates — Group

The movement of the interest in associates is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Balance as at 1 January | **—** | — |
| Addition | **79,601** | — |
| Share of post-tax loss of associates | **(50,398)** | — |
| Balance as at 31 December | **29,203** | — |

## 13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD — GROUP (Continued)

The associates are accounted for using the equity method. The directors of the Company consider there are no individually material associates.

There are no contingent liabilities or commitment relating to the Group's interest in the associates.

### Interests in a joint venture — Group

The movement of the interest in a joint venture is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Balance as at 1 January | **—** | — |
| Addition (Note 26) | **1,086,721** | — |
| Share of post-tax loss of a joint venture | **(53,832)** | — |
| Balance as at 31 December | **1,032,889** | — |

A joint venture is accounted for using the equity method. The directors of the Company consider there is no individually material joint venture.

There are no contingent liabilities or commitment relating to the Group's interest in the joint venture.

## 14 AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| At 1 January | **3,845,234** | — |
| Additions | **2,104,896** | 4,054,881 |
| Disposals | **(6,036,771)** | — |
| Net gains/(losses) transfer from equity | **209,647** | (209,647) |
| | **123,006** | 3,845,234 |

As at 31 December 2014, available-for-sale financial assets represented the Group's equity investments in an unlisted fund.

As at 31 December 2014, available-for-sale financial assets are denominated in USD.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31 December 2014 (2013:nil).

## 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| As at 1 January | **—** | — |
| Additions | **7,191,758** | — |
| Fair value gains | **3,758,100** | — |
| As at 31 December | **10,949,858** | — |

As at 31 December 2014, financial assets at fair value through profit or loss represented the Group's equity investments in certain China A-share listed companies, which are quoted in active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Fair value gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

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

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

### (a) Group

**Assets as per consolidated balance sheet**

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Loans and receivables** | | |
| Trade and other receivables | **21,248,451** | 12,138,250 |
| Restricted cash | **29,651,430** | 13,534,985 |
| Cash and cash equivalents | **29,846,770** | 40,118,454 |
| | **80,746,651** | 65,791,689 |
| **Financial assets at fair value through profit or loss** | **10,949,858** | — |
| **Available-for-sale financial assets** | **123,006** | 3,845,234 |
| | **91,819,515** | 69,636,923 |

## 16 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### (a) Group (Continued)

Liabilities as per consolidated balance sheet

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Other financial liabilities at amortised cost** | | |
| Borrowings | **156,064,619** | 108,817,338 |
| Trade and other payables excluding other taxes payable | **129,736,903** | 99,334,083 |
| | **285,801,522** | 208,151,421 |

### (b) Company

Assets as per balance sheet

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Loans and receivables** | | |
| Amounts due from subsidiaries and other receivables | **50,939,265** | 30,579,870 |
| Restricted cash | **4,283** | 3,652,671 |
| Cash and cash equivalents | **706,461** | 3,430,108 |
| | **51,650,009** | 37,662,649 |

Liabilities as per balance sheet

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Other financial liabilities at amortised cost** | | |
| Borrowings | **17,855,264** | 27,885,317 |
| Amounts due to subsidiaries and other payables excluding other taxes payable | **22,502,004** | 3,836,585 |
| | **40,357,268** | 31,721,902 |

## 17 RESTRICTED CASH

The restricted cash is denominated in the following currencies:

| | Group 31 December | | Company 31 December | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| – Denominated in RMB | **29,315,556** | 8,613,242 | **—** | — |
| – Denominated in other currencies | **335,874** | 4,921,743 | **4,283** | 3,652,671 |
| | **29,651,430** | 13,534,985 | **4,283** | 3,652,671 |

The conversion of the PRC group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2014, the Group's restricted cash mainly comprised of guarantee deposits for construction of projects, guarantee deposits for bank acceptance notes and loans, and guarantee deposits for land acquisitions.

As at 31 December 2014, the Company's restricted cash is guarantee deposit for bank loans, which is denominated in US$.

## 18 CASH AND CASH EQUIVALENTS

| | Group 31 December | | Company 31 December | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Cash at bank and in hand: | | | | |
| – Denominated in RMB | **29,095,864** | 36,011,489 | **426** | — |
| – Denominated in other currencies | **750,906** | 4,106,965 | **706,035** | 3,430,108 |
| | **29,846,770** | 40,118,454 | **706,461** | 3,430,108 |

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

## 19 SHARE CAPITAL AND PREMIUM

| | Number of ordinary shares | Nominal value of ordinary shares US$ |
|---|---|---|
| Authorised: | | |
| As at 1 January 2013, 31 December 2013 and 2014 | 100,000,000,000 | 1,000,000,000 |

| | Number of ordinary shares | Nominal value of ordinary shares US$ | Equivalent nominal value of ordinary share RMB'000 | Share premium RMB'000 |
|---|---|---|---|---|
| Issued and fully paid: | | | | |
| As at 1 January 2013 | 14,990,682,000 | 149,906,820 | 1,043,317 | 2,901,986 |
| Issuance of shares pursuant to the option scheme | 55,877,000 | 558,770 | 3,489 | 154,227 |
| Issuance of shares | 1,000,000,000 | 10,000,000 | 62,897 | 3,463,259 |
| Dividends | — | — | — | (2,291,947) |
| As at 31 December 2013 | 16,046,559,000 | 160,465,590 | 1,109,703 | 4,227,525 |
| Issuance of shares pursuant to the option scheme | 305,630,000 | 3,056,300 | 18,789 | 858,977 |
| Repurchase of shares (note a) | (1,763,128,100) | (17,631,281) | (107,758) | (4,096,810) |
| Dividends (note 35) | — | — | — | (989,692) |
| As at 31 December 2014 | 14,589,060,900 | 145,890,609 | 1,020,734 | — |

(a) During the year ended 31 December 2014, the Company repurchased an aggregate of 1,763,128,100 shares of its own shares through the Stock Exchange, at a consideration of HK$5,849,783,000 (equivalent to approximately RMB4,608,848,000). The repurchase amount was debited RMB107,758,000 to share capital, RMB4,096,810,000 to share premium, RMB512,038,000 to retained earnings, and credited RMB107,758,000 to reserve, respectively. The shares were cancelled after the repurchase.

## 20 RESERVES

### Group

| | Merger reserve RMB'000 (note (a)) | Other reserves RMB'000 | Statutory reserves RMB'000 (note (b)) | Employee share option reserve RMB'000 (note (c)) | Capital redemption reserve RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | (986,474) | 4,435,814 | 2,558,490 | 531,515 | 7,155 | 6,546,500 |
| Retained earnings appropriated to statutory reserves | — | — | 1,363,400 | — | — | 1,363,400 |
| Changes in ownership interests in subsidiaries without change of control | — | (3,530,530) | — | — | — | (3,530,530) |
| Employee share option scheme | — | — | — | 55,404 | — | 55,404 |
| Issuance of shares pursuant to the option scheme | — | — | — | (45,278) | — | (45,278) |
| Fair value losses of available-for-sale financial assets, net of tax | — | (157,235) | — | — | — | (157,235) |
| Balance at 31 December 2013 | (986,474) | 748,049 | 3,921,890 | 541,641 | 7,155 | 4,232,261 |
| Retained earnings appropriated to statutory reserves | — | — | 1,513,739 | — | — | 1,513,739 |
| Changes in ownership interests in subsidiaries without change of control (note 41) | — | 47,711 | — | — | — | 47,711 |
| Employee share option scheme (note (c)) | — | — | — | 42,225 | — | 42,225 |
| Issuance of shares pursuant to the option scheme | — | — | — | (252,156) | — | (252,156) |
| Fair value transfer to profit or loss of available-for-sale financial assets, net of tax | — | 157,235 | — | — | — | 157,235 |
| Repurchase of shares of the Company | — | — | — | — | 107,758 | 107,758 |
| Balance at 31 December 2014 | (986,474) | 952,995 | 5,435,629 | 331,710 | 114,913 | 5,848,773 |

### (a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the Reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

## 20 RESERVES (Continued)

### (b) Statutory reserves

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

### (c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 14 October 2009, 208,000,000 share options (the "Pre-IPO Options) were granted to directors and employees with an exercise price of HK$3.5 per share. All the options granted will be exercisable within 3 years after vesting.

On 18 May 2010, 713,000,000 share options (the "2010 Options") were granted to directors and employees with an exercise price of HK$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the "2014 Options") were granted to directors and employees with an exercise price of HK$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

| | Number of share options |
|---|---|
| **Year ended 31 December 2013** | |
| Balance at 1 January 2013 | 746,492,000 |
| Exercised during the year | (55,877,000) |
| Lapsed during the year | (12,550,000) |
| Balance at 31 December 2013 | 678,065,000 |
| **Year ended 31 December 2014** | |
| Balance at 1 January 2014 | 678,065,000 |
| Granted on 9 October 2014 | 530,000,000 |
| Exercised during the year | (305,630,000) |
| Lapsed during the year | (5,750,000) |
| Balance at 31 December 2014 | 896,685,000 |

## 20 RESERVES (Continued)

Particulars of share options as at 31 December 2014 and 2013 are as follows:

| Date of grant | Vesting period | Exercise period | Exercise price | Number of outstanding shares as at 31 December 2014 | 2013 |
|---|---|---|---|---|---|
| **Pre-IPO Options:** | | | | | |
| 14 October 2009 | 1 year | 5 November 2010–5 November 2015 | HK$3.5 | **–** | 33,269,000 |
| 14 October 2009 | 2 years | 5 November 2011–5 November 2015 | HK$3.5 | **39,779,000** | 57,140,000 |
| 14 October 2009 | 3 years | 5 November 2012–5 November 2015 | HK$3.5 | **77,520,000** | 77,520,000 |
| **2010 Options:** | | | | | |
| 18 May 2010 | 7 Months | 31 December 2010–31 December 2015 | HK$2.4 | **–** | – |
| 18 May 2010 | 19 Months | 31 December 2011–31 December 2016 | HK$2.4 | **–** | 127,534,000 |
| 18 May 2010 | 31 Months | 31 December 2012–31 December 2017 | HK$2.4 | **83,128,000** | 127,534,000 |
| 18 May 2010 | 43 Months | 31 December 2013–31 December 2018 | HK$2.4 | **83,129,000** | 127,534,000 |
| 18 May 2010 | 55 Months | 31 December 2014–13 October 2019 | HK$2.4 | **83,129,000** | 127,534,000 |
| **2014 Options:** | | | | | |
| 9 October 2014 | 1 year | 9 October 2015–8 October 2016 | HK$3.05 | **106,000,000** | – |
| 9 October 2014 | 2 year | 9 October 2016–8 October 2017 | HK$3.05 | **106,000,000** | – |
| 9 October 2014 | 3 year | 9 October 2017–8 October 2018 | HK$3.05 | **106,000,000** | – |
| 9 October 2014 | 4 year | 9 October 2018–8 October 2019 | HK$3.05 | **106,000,000** | – |
| 9 October 2014 | 5 year | 9 October 2019–8 October 2024 | HK$3.05 | **106,000,000** | – |
| | | | | **896,685,000** | 678,065,000 |

## 20 RESERVES (Continued)

### (c) Employee share option reserve (Continued)

The weighted average fair value of all options granted was determined by reference to valuation prepared by an independent valuer, Real Actuarial Consulting Limited, using the Binomial Model.

The weighted average fair value of options granted during the year ended 31 December 2014 determined using the Binomial Model was HK$0.78. The significant inputs into the model were share price of HK$3.05 at the date of grant, annual risk free rate of 1.81%, expected volatility of 49%, life of the option of ten years and expected dividend yield of 5.7%, which are based on the best estimate of the Company's directors. The value of an option varies with different variables of certain subjective assumption.

#### Company

| | Other reserve RMB'000 | Share option reserve RMB'000 | Capital redemption reserve RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Balance at 1 January 2013 | 1,014,536 | 531,515 | 7,155 | 1,553,206 |
| Employee share option schemes | — | 55,404 | — | 55,404 |
| Issuance of shares pursuant to the option scheme | — | (45,278) | — | (45,278) |
| Balance at 31 December 2013 | 1,014,536 | 541,641 | 7,155 | 1,563,332 |
| Repurchase of shares of the Company (note 20) | **—** | **—** | **107,758** | **107,758** |
| Employee share option schemes | **—** | **42,225** | **—** | **42,225** |
| Issue of shares pursuant to the option scheme | **—** | **(252,156)** | **—** | **(252,156)** |
| Balance at 31 December 2014 | **1,014,536** | **331,710** | **114,913** | **1,461,159** |

## 21 PERPETUAL CAPITAL INSTRUMENTS

In 2014, certain wholly owned subsidiaries of the Company (the "issuers") issued subordinated perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregate net proceeds of RMB26,346,737,000 (2013: RMB24,367,214,000).

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledges of the shares of the subsidiaries. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers of the Perpetual Capital Instruments. The Perpetual Capital Investment are callable. When the issuers or the Company elects to declare dividends to their shareholders, the issuers shall make distribution to the holders of Perpetual Capital Instruments at the distribution rate as defined in the subscription agreement.

Movement of the Perpetual Capital Instruments is as follows:

| | Principal | Distribution | Total |
|---|---|---|---|
| Balance as at 1 January 2013 | — | — | — |
| Issuance of perpetual capital instruments | 24,367,214 | — | 24,367,214 |
| Profit attributable to holders of perpetual capital instruments | — | 656,559 | 656,559 |
| Balance as at 31 December 2013 | 24,367,214 | 656,559 | 25,023,773 |
| Issuance of perpetual capital instruments | 26,346,737 | — | 26,346,737 |
| Redemption of perpetual capital instruments | (960,000) | — | (960,000) |
| Profit attributable to holders of perpetual capital instruments | — | 4,338,756 | 4,338,756 |
| Distribution to holders of perpetual capital instruments | — | (1,897,087) | (1,897,087) |
| Balance as at 31 December 2014 | **49,753,951** | **3,098,228** | **52,852,179** |

## 22 BORROWINGS

| | Group 31 December 2014 RMB'000 | 2013 RMB'000 | Company 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|---|
| Borrowings included in non-current liabilities: | | | | |
| Bank borrowings — secured | **55,538,643** | 43,195,988 | **2,543,407** | 1,158,411 |
| Senior notes | **12,774,407** | 26,422,061 | **12,774,407** | 26,422,061 |
| — Senior notes issued in 2010 ("2010 Senior Notes") (note (a)) | **—** | 8,168,593 | **—** | 8,168,593 |
| — Senior notes issued in 2011 ("2011 Senior Notes") (note (b)) | **3,678,081** | 9,206,870 | **3,678,081** | 9,206,870 |
| — Senior notes issued in 2013 ("2013 Senior Notes") (note (c)) | **9,096,326** | 9,046,598 | **9,096,326** | 9,046,598 |
| Other borrowings — secured | **52,267,524** | 26,510,092 | **—** | — |
| | **120,580,574** | 96,128,141 | **15,317,814** | 27,580,472 |
| Less: current portion of non-current borrowings | **(44,179,255)** | (23,106,868) | **(673,090)** | (6,340,409) |
| | **76,401,319** | 73,021,273 | **14,644,724** | 21,240,063 |
| Borrowings included in current liabilities: | | | | |
| Bank borrowings — secured | **20,588,920** | 6,404,361 | **2,537,450** | 304,845 |
| Current portion of non-current borrowings | **44,179,255** | 23,106,868 | **673,090** | 6,340,409 |
| Other borrowings — secured | **14,895,125** | 6,284,836 | **—** | — |
| | **79,663,300** | 35,796,065 | **3,210,540** | 6,645,254 |
| Total borrowings | **156,064,619** | 108,817,338 | **17,855,264** | 27,885,317 |

The total borrowings are denominated in the following currencies:

| | | | | |
|---|---|---|---|---|
| RMB | **129,332,907** | 86,863,306 | **3,678,081** | 9,206,870 |
| US dollar | **18,381,523** | 21,954,032 | **12,532,389** | 18,678,447 |
| HK dollar | **8,350,189** | — | **1,644,794** | — |
| | **156,064,619** | 108,817,338 | **17,855,264** | 27,885,317 |

## 22 BORROWINGS (Continued)

### (a) 2010 Senior Notes

On 27 January 2010, the Company issued 13%, five-year senior notes with an aggregated principal amount of US$750,000,000 (equivalent to approximately RMB5,120,400,000) at 100% of the face value. On 13 April 2010, the Company further issued additional senior notes in the same terms with an aggregated principal amount of US$600,000,000 (equivalent to approximately RMB4,095,600,000) at 100% of the face value.

On 18 December 2014 ("Redemption Date"), the Company redeemed the outstanding principal balance of 2010 Senior Notes together with unpaid interest as of the Redemption Date.

### (b) 2011 Senior Notes

On 13 January 2011, the Company issued 7.50%, three-year senior notes with an aggregated principal amount of RMB5,550,000,000 and 9.25%, five-year senior notes with an aggregated principal amount of RMB3,700,000,000 at 100% of the face value.

On 17 January 2014, the Company repaid the senior notes with an aggregated principal amount of RMB5,550,000,000.

### (c) 2013 Senior Notes

On 31 October 2013, the Company issued 8.75%, five-year senior notes with an aggregated principal amount of US$1,000,000,000 (equivalent to approximately RMB6,141,200,000) at 100% of the face value. On 13 November 2013, the Company further issued additional senior notes in the same terms with an aggregated principal amount of US$500,000,000 (equivalent to approximately RMB3,070,600,000) at 100% of the face value.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries. The net assets of these subsidiaries as at 31 December 2014 were approximately RMB14,585,792,000 (2013: RMB10,438,504,000).

### (d) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates, have fixed repayment terms, and are secured by the properties under development of the group companies or the equity interests of certain group companies. The net assets of these subsidiaries with equity interests pledged to the Trustee as at 31 December 2014 were approximately RMB20,591,054,000 (2013: RMB10,482,705,000).

## 22 BORROWINGS (Continued)

As at 31 December 2014, the Group's bank and other borrowings of RMB143,290,212,000 (2013: RMB82,395,277,000) were secured by its property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and cash in bank.

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

| | 6 months or less RMB'000 | 6–12 months RMB'000 | 1-5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Group** | | | | |
| At 31 December 2014 | 64,016,642 | 29,466,350 | 49,807,220 | 143,290,212 |
| At 31 December 2013 | 31,670,086 | 20,206,013 | 30,519,178 | 82,395,277 |

| | 6 months or less RMB'000 | 6–12 months RMB'000 | 1-5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Company** | | | | |
| At 31 December 2014 | 4,666,700 | 414,157 | — | 5,080,857 |
| At 31 December 2013 | 1,463,256 | — | — | 1,463,256 |

The maturity of the borrowings is as follows:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Group** | | |
| Bank and other borrowings and senior notes: | | |
| Within 1 year | **79,663,300** | 35,796,065 |
| 1–2 years | **55,859,570** | 44,343,322 |
| 2–5 years | **19,630,423** | 27,876,659 |
| Over 5 years | **911,326** | 801,292 |
| Total | **156,064,619** | 108,817,338 |
| **Company** | | |
| Bank borrowings and senior notes: | | |
| Within 1 year | **3,210,540** | 6,645,254 |
| 1–2 years | **5,548,398** | 8,534,406 |
| 2–5 years | **9,096,326** | 12,705,657 |
| Total | **17,855,264** | 27,885,317 |

## 22 BORROWINGS (Continued)

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Group** | | |
| Bank and other borrowings and senior notes: | | |
| Wholly repayable within 5 years | **155,153,293** | 108,016,046 |
| Wholly repayable after 5 years | **911,326** | 801,292 |
| Total | **156,064,619** | 108,817,338 |
| **Company** | | |
| Bank borrowings and senior notes: | | |
| Wholly repayable within 5 years | **17,855,264** | 27,885,317 |

The effective interest rates were as follows:

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | RMB'000 | Effective interest rate | RMB'000 | Effective interest rate |
| **Group** | | | | |
| Bank and other borrowings | **143,290,212** | **8.24%** | 82,395,277 | 8.25% |
| Senior notes | **12,774,407** | **9.27%** | 26,422,061 | 10.52% |
| **Company** | | | | |
| Bank borrowings | **5,080,857** | **3.41%** | 1,463,256 | 4.40% |
| Senior notes | **12,774,407** | **9.27%** | 26,422,061 | 10.52% |

The carrying amounts and fair value of the non-current borrowings are as follows:

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Carrying amount RMB'000 | Fair value RMB'000 | Carrying amount RMB'000 | Fair value RMB'000 |
| **Group** | | | | |
| Bank and other borrowings | **63,626,912** | **63,626,912** | 52,147,024 | 52,147,024 |
| Senior notes | **12,774,407** | **12,207,667** | 20,874,249 | 21,823,131 |
| **Company** | | | | |
| Bank and other borrowings | **1,870,317** | **1,870,317** | 365,814 | 365,814 |
| Senior notes | **12,774,407** | **12,207,667** | 20,874,249 | 21,823,131 |

## 22 BORROWINGS (Continued)

The fair value of the Group's current bank and other borrowings approximates their carrying amounts at each of the balance sheet dates for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

The fair values of senior notes as at 31 December 2014 are determined directly by references to the price quotations published by the Singapore Exchange Limited and Hong Kong Exchanges and Clearing Limited on 31 December 2014, the last dealing date of 2014.

## 23 DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Deferred income tax assets to be recovered within 12 months | **(1,180,326)** | (861,501) |
| Deferred income tax assets to be recovered after more than 12 months | **(1,267,087)** | (429,271) |
| Deferred income tax assets | **(2,447,413)** | (1,290,772) |
| Deferred income tax liabilities to be settled within 12 months | **1,232,594** | 721,925 |
| Deferred income tax liabilities to be settled after more than 12 months | **9,038,206** | 5,994,382 |
| Deferred income tax liabilities | **10,270,800** | 6,716,307 |
| | **7,823,387** | 5,425,535 |

## 23 DEFERRED INCOME TAX — GROUP (Continued)

The net movements on the deferred taxation are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **5,425,535** | 3,899,979 |
| Acquisition of subsidiaries (note 42) | **21,265** | 17,373 |
| Tax charged/(credited) relating to components of other comprehensive income | **52,412** | (52,412) |
| Recognised in income tax expenses (note 32) | **2,324,175** | 1,560,595 |
| End of the year | **7,823,387** | 5,425,535 |

Movements in gross deferred tax assets and liabilities are as follows:

### Deferred income tax assets

| | Temporary difference on unrealised profit of inter-company transactions | Tax losses | Temporary difference on recognition of cost of sales | Revaluation of available-for-sale financial assets | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2013 | (165,998) | (623,562) | (255,717) | — | (1,045,277) |
| Charged to other comprehensive income | — | — | — | (52,412) | (52,412) |
| (Credited)/charged to the income tax expenses | (76,486) | (152,083) | 35,486 | — | (193,083) |
| As at 31 December 2013 | (242,484) | (775,645) | (220,231) | (52,412) | (1,290,772) |
| Charged to other comprehensive income | — | — | — | 52,412 | 52,412 |
| (Credited)/charged to the income tax expenses | (105,486) | (1,102,347) | (1,220) | — | (1,209,053) |
| As at 31 December 2014 | (347,970) | (1,877,992) | (221,451) | — | (2,447,413) |

## 23 DEFERRED INCOME TAX — GROUP (Continued)

### Deferred income tax assets (Continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB871,258,000 (2013: RMB748,425,000) in respect of tax losses amounting to RMB3,485,032,000 (2013: RMB2,993,700,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. The tax losses will expire in the following years:

| Year | RMB'000 |
|---|---|
| 2015 | 263,172 |
| 2016 | 568,492 |
| 2017 | 905,820 |
| 2018 | 1,056,912 |
| 2019 | 690,636 |
| | 3,485,032 |

### Deferred income tax liabilities

| | Excess of carrying amount of land use right and intangible asset over the tax bases | Temporary difference on recognition of fair value gain of investment properties | Withholding tax on profit to be distributed in future | Total |
|---|---|---|---|---|
| As at 1 January 2013 | 334,433 | 4,610,823 | — | 4,945,256 |
| Acquisition of a subsidiary | 17,373 | — | — | 17,373 |
| (Credited)/charged to the income tax expenses | (41,214) | 1,583,319 | 211,573 | 1,753,678 |
| As at 31 December 2013 | 310,592 | 6,194,142 | 211,573 | 6,716,307 |
| Acquisition of subsidiaries | 21,265 | — | — | 21,265 |
| (Credited)/charged to the income tax expenses | (3,023) | 3,336,251 | 200,000 | 3,533,228 |
| As at 31 December 2014 | 328,834 | 9,530,393 | 411,573 | 10,270,800 |

## 24 TRADE AND OTHER PAYABLES

| | Group 31 December | | Company 31 December | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Trade payables | **91,889,003** | 65,836,287 | **—** | — |
| – third parties | **35,661,581** | 32,605,660 | **22,164,779** | 2,920,052 |
| – subsidiaries | **—** | — | **18,375,539** | 2,854,259 |
| – associates | **1,101,446** | — | **—** | — |
| – joint venture | **121** | — | **—** | — |
| – amounts owing to non-controlling interests (note (i)) | **6,037,001** | 13,772,753 | **—** | — |
| – payable to the units holders of consolidated investment entities (note (ii)) | **5,620,065** | — | **—** | — |
| – third parties (note (iii)) | **14,356,555** | 10,083,844 | **3,789,240** | 65,793 |
| – payables for acquisition of land use rights | **8,546,393** | 8,749,063 | **—** | — |
| Accrued expenses | **2,186,319** | 1,586,543 | **416,455** | 960,874 |
| Other taxes payable | **1,111,068** | 737,393 | **—** | — |
| | **130,847,971** | 100,765,883 | **22,581,234** | 3,880,926 |
| Less: non-current portion | | | | |
| Other payables: | **(7,175,106)** | (870,475) | **—** | — |
| – third parties | **(256,439)** | (78,893) | **—** | — |
| – payable to the units holders of consolidated investment entities (note (ii)) | **(5,620,065)** | — | **—** | — |
| – amounts owing to non-controlling interests (note (i)) | **(1,298,602)** | (791,582) | **—** | — |
| Current portion | **123,672,865** | 99,895,408 | **22,581,234** | 3,880,926 |

(i) Amounts included certain cash advances from non-controlling interests of approximately RMB690,000,000 (2013: RMB1,665,800,000) which bear interest at rates, in average, of 12% per annum (2013: 12.49%).

(ii) Amounts represented certain cash advances from the unit holders of consolidated investment entities of approximately RMB5,620,065,000 (2013: nil) which bear interest at rates, in average, of 8% per annum (2013: nil) and repayable in 2017.

(iii) Amounts mainly consist of deposits and salary payable.

## 24 TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of trade payables of the Group is as follows:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Within one year | **81,223,433** | 58,571,367 |
| Over one year | **10,665,570** | 7,264,920 |
| | **91,889,003** | 65,836,287 |

The trade and other payables are denominated in the following currencies:

| | Group 31 December | | Company 31 December | |
|---|---|---|---|---|
| | **2014 RMB'000** | 2013 RMB'000 | **2014 RMB'000** | 2013 RMB'000 |
| – Denominated in RMB | **127,298,056** | 100,765,883 | **19,031,319** | 3,880,926 |
| – Denominated in other currencies | **3,549,915** | — | **3,549,915** | — |
| | **130,847,971** | 100,765,883 | **22,581,234** | 3,880,926 |

## 25 CURRENT INCOME TAX LIABILITIES — GROUP

The current income tax liabilities are analysed as follows:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Income tax payables | | |
| – PRC corporate income tax | **5,742,372** | 4,476,314 |
| – PRC land appreciation tax | **11,810,378** | 9,029,330 |
| | **17,552,750** | 13,505,644 |

## 26 OTHER GAIN — NET

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Gains on disposal of a subsidiary (note (a)) | **719,415** | — |
| Loss on disposal of available-for-sale financial assets | **(185,559)** | — |
| | **533,856** | — |

(a) Pursuant to the shareholders' agreement and capital injection agreement of Guangzhou Evergrande Football Club Co., Ltd. (the "Football Club", 100% held by the Group before the said transaction) entered into between the Group and an independent third party (the "Investor"), the Investor has injected capital of RMB1,200 million, in terms of cash, to the Football Club and obtained 50% equity interest in the Football Club. The Football Club became a joint venture of the Group and a gain of RMB719 million has been recognised for this disposal.

## 27 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Interest income from bank deposits | **312,007** | 120,396 |
| Interest income from non-current receivables | **—** | 2,059 |
| Forfeited customer deposits | **26,502** | 70,878 |
| Advertising revenue (note (a)) | **215,168** | 363,077 |
| Gain on disposal of investment properties | **305,599** | 342,765 |
| Dividend income of available-for-sale financial assets | **209,945** | — |
| Others | **361,369** | 142,147 |
| | **1,430,590** | 1,041,322 |

(a) Amounts represented the advertising revenue generated from operation of football and volleyball clubs.

## 28 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Cost of properties sold — including construction cost, land cost and interest cost | **70,611,167** | 59,673,649 |
| Business tax and other levies (note (a)) | **6,375,488** | 5,350,119 |
| Staff costs — including directors' emoluments (note 29) | **7,882,171** | 5,886,797 |
| Advertising costs | **5,070,340** | 2,336,670 |
| Sales commissions | **583,095** | 513,246 |
| Consultancy fees (note (b)) | **246,651** | 202,730 |
| Depreciation | **982,958** | 753,577 |
| Amortisation | **153,457** | 273,387 |
| Auditors' remuneration | **16,000** | 14,913 |
| Operating lease expenses | **227,542** | 182,789 |
| Donations | **310,936** | 262,086 |

### (a) Business tax

The group entities with business operation in the PRC are subject to business taxes on their revenue at the following rates:

| **Category** | **Rate** |
|---|---|
| Sales of properties | 5% |
| Property construction and decoration | 3% |
| Property management | 5% |
| Hotel operations | 5% |
| Advertising revenue | 5% |

### (b) Consultancy fees

The consultancy fees for the years ended 31 December 2014 and 2013 are mainly related to market promotion, planning and consultancy services provided by real estate consulting firms and commercial banks.

## 29 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Wages and salaries | **6,228,890** | 4,833,463 |
| Pension costs — statutory pension (note 37) | **623,826** | 379,377 |
| Staff welfare | **719,005** | 456,429 |
| Medical benefits | **268,225** | 162,124 |
| Employee share option schemes | **42,225** | 55,404 |
| | **7,882,171** | 5,886,797 |

## 30 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2014 is set out below:

| | Fees RMB'000 | Salary RMB'000 | Contribution to pension scheme RMB'000 | Employees share option scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Dr. Hui | 240 | — | — | — | 240 |
| Mr. Xia Haijun (Chief executive) | 240 | 66,626 | 13 | 5,659 | 72,538 |
| Mr. Li Gang (note (a)) | 80 | 28,656 | 48 | 471 | 29,255 |
| Mr. Tse Wai Wah | 240 | 7,362 | 13 | 1,178 | 8,793 |
| Mr. Xu Wen | 240 | 1,740 | 40 | 1,272 | 3,292 |
| Ms. He Miaoling (note (b)) | 160 | 1,536 | 40 | 864 | 2,600 |
| Mr. Huang Xiangui (note (c)) | 210 | 3,399 | 53 | 306 | 3,968 |
| Mr. Lai Lixin (note (d)) | 30 | 355 | 9 | — | 394 |
| Mr. Chau Shing Yim David | 360 | — | — | 47 | 407 |
| Mr. He Qi | 360 | — | — | 47 | 407 |
| Ms. Xie Hongxi | 360 | — | — | 47 | 407 |
| | 2,520 | 109,674 | 216 | 9,891 | 122,301 |

Note (a): Resigned on 1 May 2014.
Note (b): Appointed on 1 May 2014.
Note (c): Appointed on 14 February 2014.
Note (d): Resigned on 14 February 2014.

## 30 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' and chief executives' emoluments (Continued)

The remuneration of directors of the Company for the year ended 31 December 2013 is set out below:

| | Fees RMB'000 | Salary RMB'000 | Contribution to pension scheme RMB'000 | Employees share option scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Dr. Hui | 240 | — | — | — | 240 |
| Mr. Xia Haijun (Chief executive) | 240 | 40,621 | 12 | 8,171 | 49,044 |
| Mr. Li Gang | 240 | 29,870 | 50 | 3,520 | 33,680 |
| Mr. Tse Wai Wah | 240 | 6,690 | 12 | 1,226 | 8,168 |
| Mr. Xu Wen | 240 | 2,073 | 38 | 1,389 | 3,740 |
| Mr. Lai Lixin | 240 | 7,963 | 50 | 1,226 | 9,479 |
| Mr. Chau Shing Yim David | 360 | — | — | — | 360 |
| Mr. He Qi | 360 | — | — | — | 360 |
| Ms. Xie Hongxi | 360 | — | — | — | 360 |
| | 2,520 | 87,217 | 162 | 15,532 | 105,431 |

### (b) Five highest paid individuals

During the year ended 31 December 2014, the five highest paid individuals include 2 directors (2013: 2). The aggregate amounts of emoluments of the five highest paid individuals for the year ended 31 December 2014 are set out below:

| | Year ended 31 December | |
|---|---|---|
| | **2014 RMB'000** | 2013 RMB'000 |
| Salaries and other benefits | **168,781** | 318,993 |
| Retirement scheme contributions | **75** | 61 |
| | **168,856** | 319,054 |

## 30 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

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

The emoluments fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| RMB0 to RMB20,000,000 | **1** | — |
| RMB20,000,000 to RMB40,000,000 | **3** | 2 |
| RMB40,000,000 to RMB60,000,000 | **—** | 1 |
| RMB60,000,000 to RMB80,000,000 | **1** | — |
| RMB80,000,000 to RMB100,000,000 | **—** | 1 |
| RMB100,000,000 to RMB120,000,000 | **—** | 1 |

(c) During the year ended 31 December 2014, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: nil).

## 31 FINANCE INCOME AND FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Finance income** | | |
| Exchange gain | **—** | 386,550 |
| **Finance costs** | | |
| Interest expense from borrowings | **(13,648,627)** | (8,114,955) |
| Less: interest capitalized | **13,633,227** | 8,081,023 |
| | **(15,400)** | (33,932) |
| Exchange loss | **(47,140)** | — |
| Other finance costs (note (i)) | **(952,734)** | — |
| | **(1,015,274)** | (33,932) |

(i) Amounts included the interest for advances from unit holders of consolidated investment entities of approximately RMB201,532,000 (2013: nil), and the cost of approximately RMB751,202,000 (2013: nil) arose from factoring of receivable at a discounted price.

## 32 INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Current income tax | | |
| – PRC corporate income tax | **6,628,082** | 5,255,211 |
| – PRC land appreciation tax | **4,222,834** | 4,871,522 |
| Deferred income tax (note 23) | | |
| – PRC corporate income tax | **831,435** | 903,854 |
| – PRC land appreciation tax | **1,492,740** | 656,741 |
| | **13,175,091** | 11,687,328 |

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Profit before income tax | **31,191,169** | 25,396,360 |
| Calculated at PRC corporate income tax rate | **7,797,792** | 6,349,090 |
| PRC land appreciation tax deductible for PRC corporate income tax purposes | **(1,428,893)** | (1,382,066) |
| Income not subject to tax (note (a)) | **(1,180,021)** | (97,152) |
| Expenses not deductible for tax purposes (note (b)) | **761,490** | 719,542 |
| Tax losses for which no deferred income tax asset was recognised | **172,659** | 264,228 |
| PRC corporate income tax | **6,123,027** | 5,853,642 |
| PRC withholding income tax | **1,336,490** | 305,423 |
| PRC land appreciation tax | **5,715,574** | 5,528,263 |
| | **13,175,091** | 11,687,328 |

## 32 INCOME TAX EXPENSES (Continued)

(a) Income not subject to tax for the year ended 31 December 2014 mainly comprised fair value gain on financial assets at fair value through profit or loss.

(b) Expenses not deductible for tax purpose for the year ended 31 December 2014 mainly comprised: (i) the cost of land premium without official invoices resulting from the land acquisitions through acquisitions of companies; and (ii) expenses incurred by offshore group companies.

(c) The applicable PRC corporate income tax rate for the year ended 31 December 2014 is 25% (2013: 25%).

### Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

### Hong Kong profits tax

No Hong Kong profits tax has been provided for as there is no business operation that is subject to Hong Kong profits tax during the year ended 31 December 2014 (2013: nil).

### PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (2013: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

### PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

### PRC land appreciation tax

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

## 33 RETAINED EARNINGS/(ACCUMULATED LOSSES) — COMPANY

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Opening balance | **1,079,740** | (3,764,140) |
| Profit for the year | **17,012,730** | 4,843,880 |
| Dividends | **(5,348,296)** | — |
| Repurchase of shares of the Company | **(512,038)** | — |
| Closing balance | **12,232,136** | 1,079,740 |

## 34 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Profit attributable to shareholders of the Company (RMB'000) | **12,604,053** | 12,611,778 |
| Weighted average number of ordinary shares in issue (thousands) | **14,762,147** | 15,980,880 |
| Basic earnings per share (RMB) | **0.854** | 0.789 |

## 34 EARNINGS PER SHARE (Continued)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Profit attributable to equity holders of the Company (RMB'000) | **12,604,053** | 12,611,778 |
| Weighted average number of ordinary shares in issue (thousands) | **14,762,147** | 15,980,880 |
| Adjustments for share options (thousands) | **85,634** | 143,360 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **14,847,781** | 16,124,240 |
| Diluted earnings per share (RMB) | **0.849** | 0.782 |

## 35 DIVIDENDS

The Company did not distribute an interim dividend for the six months ended 30 June 2014 (2013: nil).

A final dividend in respect of the year ended 31 December 2014 of RMB0.43 per share totaling RMB 6,273,296,000 has been proposed by the Board on 30 March 2015, which is subject to approval by the shareholders in the forthcoming Annual General Meeting. These financial statements have not reflected this dividend payable.

A final dividend in respect of the year ended 31 December 2013 of RMB0.43 per share totaling RMB6,337,987,000 was paid on 3 July 2014.

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

## 36 NET CASH GENERATED FROM OPERATIONS

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Profit for the year | **18,016,078** | 13,709,032 |
| Adjustments for: | | |
| Income tax expense | **13,175,091** | 11,687,328 |
| Interest income from bank deposits (note 27) | **(312,007)** | (120,396) |
| Interest income from non-current receivables (note 27) | **—** | (2,059) |
| Finance cost (note 31) | **968,134** | 33,932 |
| Exchange loss/(gain) (note 31) | **47,140** | (386,550) |
| Depreciation (note 6) | **982,958** | 753,577 |
| Amortisation | **153,457** | 273,387 |
| Employee share option schemes (note 20) | **42,225** | 55,404 |
| Fair value gains on investment properties (note 8) | **(9,392,928)** | (5,815,221) |
| Fair value gains on financial assets at fair value through profit or loss (note 15) | **(3,758,100)** | — |
| Gain on disposal of investment properties (note 27) | **(305,599)** | (342,765) |
| (Gain)/loss on disposal of property, plant and equipment, and intangible assets | **(13,259)** | 137,188 |
| Gains on disposal of a subsidiary, exclude the cash disposal (note 26) | **(719,415)** | — |
| Share of loss of investments accounted for using the equity method (note 13) | **104,230** | — |
| Changes in working capital: | | |
| Properties under development and completed properties held for sale | **(48,009,832)** | (27,610,430) |
| Restricted cash as guarantee for construction of projects and other operating activities | **(4,134,803)** | (560,050) |
| Trade and other receivables and prepayments | **(16,577,549)** | (24,082,517) |
| Trade and other payables and receipt in advance from customers | **25,632,937** | 7,075,092 |
| Net cash used in operations | **(24,101,242)** | (25,195,048) |

## 37 PENSIONS — DEFINED CONTRIBUTION PLANS

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

## 37 PENSIONS — DEFINED CONTRIBUTION PLANS (Continued)

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Gross scheme contributions | **623,826** | 379,377 |

## 38 FINANCIAL GUARANTEES

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units | **102,697,865** | 75,309,953 |

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

# 39 COMMITMENTS

## (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Property, plant and equipment: | | |
| Not later than one year | **236,248** | 195,246 |
| Later than one year and not later than five years | **228,768** | 202,345 |
| Later than five years | **3,542** | 23,045 |
| | **468,558** | 420,636 |

## (b) Commitments for property development expenditure

| | 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Contracted but not provided for | | |
| — Property development activities | **78,838,337** | 67,264,984 |
| — Acquisition of land use rights | **15,930,173** | 45,592,059 |
| | **94,768,510** | 112,857,043 |

## 40 RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

| Name | Relationship |
|---|---|
| 許家印博士 Dr. Hui Ka Yan ("Dr. Hui") | The ultimate controlling shareholder and also the director of the Company |
| Jinan Huafu Land Co., Ltd. 濟南華府置業有限公司 | Associate of the Group |
| Jinan Xikai Land Co., Ltd. 濟南西開置業有限公司 | Associate of the Group |
| Jinan Xiye Land Co., Ltd. 濟南西業置業有限公司 | Associate of the Group |
| Jinan Xichuang Land Co., Ltd. 濟南西創置業有限公司 | Associate of the Group |
| Jinan Xishi Land Co., Ltd. 濟南西实置業有限公司 | Associate of the Group |
| Jinan Dongjin Longding Land Co., Ltd. 濟南東進龙鼎置業有限公司 | Associate of the Group |
| Dongying Yujing Land Co., Ltd. 東營御景置業有限公司 | Associate of the Group |
| Guangzhou Evergrande Taobao Football Club Co., Ltd. 廣州恒大淘寶足球俱樂部有限公司 | Joint venture of the Group |

### (b) Transactions with related parties

During the years ended 31 December 2014 and 2013, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Revenue** | | |
| Sales of goods to associates (note (i)) | **36,217** | — |
| **Cost** | | |
| Advertisement service fee charged by joint venture (note (i)) | **10,000** | — |

Note (i): Aforementioned revenue and cost were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

## 40 RELATED PARTY TRANSACTIONS (Continued)

### (c) Balances with related parties

As at 31 December 2014 and 2013, the Group had the following significant non-trade balances with related parties:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Due from related parties (note (i))** | | |
| Included in trade and other receivables: | | |
| – Associates | **1,774,107** | — |
| – Joint Venture | **1,349** | — |
| | **1,775,456** | — |
| **Due to related parties (note (i))** | | |
| Included in trade and other payables: | | |
| – Associates | **1,101,446** | — |
| – Joint Venture | **121** | — |
| | **1,101,567** | — |

Note (i): The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

### (d) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

| | Year ended 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Salaries and other employee benefits | **190,632** | 175,213 |
| Retirement scheme contributions | **775** | 861 |
| | **191,407** | 176,074 |

## 41 CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

### (a) Acquisition of additional interest in subsidiaries

During the year ended 31 December 2014, the Group acquired certain equity interests of certain subsidiaries from non-controlling shareholders at a total consideration of RMB24,153,000. The difference between consideration paid and the carrying amount of equity interests acquired, which amounted to RMB111,000, was recognised as an increase in equity attributable to owners of the Company.

### (b) Disposal of interest in a subsidiary without loss of control

During the year ended 31 December 2014, the Group disposed certain equity interests of certain subsidiaries to non-controlling shareholders at a consideration of RMB470,000,000. The excess of consideration received and the carrying amount of equity interests disposal, which amounted to RMB47,600,000, was recognised as an increase in equity attributable to owners of the Company.

## 42 BUSINESS COMBINATION

During the year ended 31 December 2014, the Group acquired 100% equity interest of certain grain and oil production companies at a total consideration of RMB659,044,000.

In October 2014, the Group acquired 51% equity interest of a dairy product production company in New Zealand at a consideration of New Zealand Dollars ("NZD") 50,330,000 (equivalent to RMB242,544,000).

In October 2014, the Group acquired 100% equity interest of a hotel operation company in Canada at a total consideration of RMB189,695,000.

## 42 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid for these acquisition of subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | RMB'000 |
|---|---|
| Cash consideration | 1,091,283 |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 11,262 |
| Property, plant and equipment (note 6) | 471,595 |
| Intangible assets | 140,618 |
| Land use rights (note 7) | 77,703 |
| Trade and other receivables | 34,082 |
| Trade and other payables | (36,794) |
| Deferred tax liabilities (note 23) | (21,265) |
| **Total identifiable net assets** | 677,201 |
| Non-controlling interest | (71,922) |
| Identifiable net assets acquired | 605,279 |
| Goodwill | 486,004 |

The acquired businesses contributed revenues of RMB99,881,000 and net loss of RMB12,049,000 to the Group for the period from the respective acquisition dates to 31 December 2014. If the acquisitions had occurred on 1 January 2014, consolidated revenue and consolidated profit for the year ended 31 December 2014 would have been RMB112,021,989,000 and RMB18,022,050,000 respectively.

The goodwill arose in the acquisitions of grain and oil production companies and the dairy product production company.

## 43 SUBSEQUENT EVENTS

On 10 February 2015, the Company issued 12%, five-year senior notes with an aggregated principal amount of US$1,000,000,000 at the face value ("2015 Senior Notes"). The net proceeds from 2015 Senior Notes amounted to approximately US$995,000,000 (approximately equivalent to RMB6,098,852,000).

On 27 February 2015, the Group acquired 647,950,000 shares of a Hong Kong listed company, New Media Group Holdings Limited ("New Media"), which represented approximately 74.99% of the existing issued shares of the New Media, at a consideration of HKD950,000,000 (approximately equivalent to RMB753,017,000).

## 44 INVESTMENTS IN SUBSIDIARIES — COMPANY

| | 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Investments in subsidiaries—unlisted shares | **2** | 2 |
| Employee share option schemes | **711,192** | 668,966 |
| Amounts due from subsidiaries (note (i)) | **2,779,102** | 1,401,096 |
| | **3,490,296** | 2,070,064 |

(i) The amounts due from subsidiaries are interest-free, unsecured and are intended to provide the subsidiaries with long term sources of additional capital.

Particulars of principal subsidiaries are set out below:

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/paid-in capital | Percentage of attributable equity interest Directly | Percentage of attributable equity interest Indirectly | Principal activities |
|---|---|---|---|---|---|
| *Incorporated in the BVI with limited liability and operating in the PRC* | | | | | |
| ANJI (BVI) Limited | 26 June 2006 | US$100 | 100% | — | Investment holding |
| ShengJian (BVI) Limited | 29 January 2007 | US$100 | — | 100% | Investment holding |
| Ever Grace Group Limited | 18 September 2008 | US$100 | — | 100% | Investment holding |
| *Incorporated in Hong Kong with limited liability and operating in the PRC* | | | | | |
| Success Will Group Limited | 5 July 2007 | HK$1,000 | — | 100% | Investment holding |
| Shui Wah Investment Limited | 18 June 1992 | HK$4 | — | 100% | Property development |
| Wisdom Gain Group Limited | 13 June 2003 | US$10,000 | — | 100% | Property development |
| Full Hill Limited | 3 January 2002 | US$1 | — | 100% | Investment holding |
| Grandday Group Limited | 16 January,2008 | US$100 | — | 100% | Investment holding |
| *Incorporated in the PRC with limited liability and operating in the PRC* | | | | | |
| 恒大地產集團有限公司 Hengda Real Estate Group Company Limited | 24 June 1996 | RMB2,500,000,000 | — | 100% | Property development |
| 佛山市南海新中建房地產發展有限公司 Foshan Nanhai Xinzhongjian Real Estate Development Company Limited | 11 September 2001 | RMB677,000,000 | — | 100% | Property development |
| 恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited | 17 July 2006 | RMB841,000,000 | — | 100% | Property development |
| 恒大地產集團江津有限公司 Hengda (Jiangjin) Real Estate Group Company Limited | 27 July 2006 | RMB330,000,000 | — | 100% | Property development |

## 44 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/paid-in capital | Percentage of attributable equity interest Directly | Percentage of attributable equity interest Indirectly | Principal activities |
|---|---|---|---|---|---|
| 恒大長基(瀋陽)置業有限公司 Hengda Changji (Shenyang) Property Company Limited | 1 December 2006 | RMB1,575,375,090 | — | 100% | Property development |
| 金碧物業有限公司 Jinbi Property Management Company Limited | 10 September 1997 | RMB177,600,000 | — | 100% | Property management and related consulting services |
| 恒大地產集團太原有限公司 Hengda (Taiyuan) Real Estate Group Company Limited | 11 September 2007 | RMB891,000,000 | — | 100% | Property development |
| 西安曲江投資建設有限公司 Xi'an Qujiang Investment Construction Company Limited | 9 September 2002 | RMB453,462,000 | — | 100% | Property development |
| 廣州市越秀住宅建設有限公司 Guangzhou Yuexiu Property Construction Company Limited | 20 May 2005 | RMB53,280,000 | — | 100% | Construction |
| 濟南恒大綠洲置業有限公司 Jinan Hengdalvzhou Property Corporation Limited | 18 January 2010 | RMB870,000,000 | — | 100% | Property development |
| 恒大地產集團石家莊有限公司 Hengda (Shijiazhuang) Real Estate Group Property Company Limited | 18 August 2009 | RMB600,000,000 | — | 100% | Property development |
| 石家莊盛宇房地產開發有限公司 Shijiazhuang Shengyu Real Estate Development Company Limited | 24 May 2010 | RMB300,000,000 | — | 100% | Property development |
| 河北高杰士房地產開發有限公司 Hebei Gaojieshi Real Estate Development Company Limited | 23 April 2003 | RMB300,000,000 | — | 100% | Property development |
| 河南大有房地產開發有限公司 Henan Dayou Real Estate Group Company Limited | 23 May 2008 | RMB100,000,000 | — | 100% | Property development |
| 濟南恒大金碧房地產開發有限公司 Jinan Hengda Jinbi Real Estate Development Corporation Limited | 18 May 2010 | RMB740,000,000 | — | 100% | Property development |
| 恒大地產集團(中山)有限公司 Hengda Real Estate (Zhongshan) Corporation Limited | 13 May 2010 | RMB400,000,000 | — | 100% | Property development |
| 深圳市建設集團有限公司 Shenzhen Construction Group Corporation Limited | 25 December 2003 | RMB300,000,000 | — | 100% | Property development |
| 太原俊景房地產開發有限公司 Taiyuan Junjing Real Estate Development Corporation Limited | 2 April 2010 | RMB782,200,000 | — | 65.58% | Property development |
| 衡陽寶瑞置業有限公司 Hengyang Baorui Property Company Limited | 16 June 2011 | RMB100,000,000 | — | 69.5% | Property development |

## 44 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/paid-in capital | Percentage of attributable equity interest Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 恒大地產集團銀川有限公司 Hengda (Yinchuan) Real Estate Group Company Limited | 16 December 2010 | RMB418,660,000 | — | 100% | Property development |
| 長春泰基房地產開發有限公司 Taiji (Changchun) Real Estate Company Limited | 24 December 2010 | RMB600,000,000 | — | 100% | Property development |
| 恒大地產鷹潭有限公司 Hengda (Yingtan) Real Estate Group Company Limited | 21 February 2011 | RMB452,789,200 | — | 100% | Property development |
| 清遠市銀湖城投資有限公司 Yinhucheng(Qingyuan) Investment Company Limited | 28 September 2009 | RMB45,000,000 | — | 100% | Property development |
| 北海南國天堂房地產開發有限公司 Beihai Nanguo Tiantang Real Estate Company Limited | 19 January 1993 | RMB38,686,000 | — | 100% | Property development |
| 南京恒大富豐置業有限公司 Nanjing Hengda Fufeng Property Company Limited | 10 April 2007 | RMB872,697,940 | — | 100% | Property development |
| 啟東通譽置業有限公司 Tongyu(Qidong) Property Company Limited | 1 January 2007 | RMB512,608,680 | — | 100% | Property development |
| 啟東寶豐置業有限公司 Qidong Baofeng Property Company Limited | 1 January 2007 | RMB224,907,930 | — | 100% | Property development |
| 啟東鑫華置業有限公司 Qidong Xinhua Property Company Limited | 1 January 2007 | RMB225,750,080 | — | 100% | Property development |
| 恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Property Company Limited | 5 September 2007 | RMB457,000,000 | — | 100% | Property development |
| 江西省翠林山莊有限公司 Cuilin (Jiangxi) Company Limited | 7 July 2003 | RMB699,365,785 | — | 100% | Property development |
| 安徽三林置業有限公司 Sanlin (Anhui) Property Company Limited | 2 November 2001 | RMB300,000,000 | — | 100% | Property development |
| 太原得一房地產開發有限公司 Taiyuan Deiyi Real Estate Company Limited | 14 December 2009 | RMB232,500,000 | — | 100% | Property development |
| 恒大地產集團大邑有限公司 Hengda (Dayi) Real Estate Group Company Limited | 16 March 2010 | RMB500,000,000 | — | 100% | Property development |
| 廣州市佳穗置業有限公司 Guangzhou Jiasui Property Company Limited | 31 May 2006 | RMB10,000,000 | — | 100% | Property development |
| 武漢華力置業有限公司 Wuhan Huali Property Company Limited | 28 October 2003 | RMB350,000,000 | — | 100% | Property development |

## 44 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/paid-in capital | Percentage of attributable equity interest Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 石家莊地益嘉房地產開發有限公司 Shijiazhuang Diyijia Real Estate Company Limited | 8 November 2006 | RMB5,000,000 | — | 100% | Property development |
| 宿遷恒大華府置業有限公司 Suqian Hengda Huafu Property Company Limited | 6 January 2011 | RMB310,000,000 | — | 100% | Property development |
| 東營恒大華府置業有限公司 Dongying Hengda Huafu Property Company Limited | 7 January 2011 | RMB400,000,000 | — | 100% | Property development |
| 哈爾濱市恒大偉業房地產開發有限公司 Haerbin Hengda Weiye Real Estate Company Limited | 28 January 2011 | RMB780,000,000 | — | 100% | Property development |
| 五家渠卓越房地產開發有限公司 Wujiaqu Zhuoyue Real Estate Company Limited | 14 April 2011 | RMB246,000,000 | — | 100% | Property development |
| 恒大地產集團鹽城有限公司 Hengda (Yancheng) Real Estate Group Company Limited | 20 April 2011 | RMB673,384,000 | — | 100% | Property development |
| 句容天工置業有限公司 Jurong Tiangong Property Company Limited | 6 November 2009 | RMB327,333,800 | — | 100% | Property development |
| 臨沂華府置業有限公司 Linyi Huafu Property Company Limited | 2 September 2010 | RMB430,000,000 | — | 100% | Property development |
| 濰坊金碧置業有限公司 Weifang Jinbi Property Company Limited | 4 March 2011 | RMB600,000,000 | — | 100% | Property development |
| 大同俊景房地產開發有限公司 Datong Junjing Real Estate Company Limited | 28 April 2011 | RMB235,000,000 | — | 100% | Property development |
| 哈爾濱市恒大興業房地產開發有限公司 Haerbin Hengda Xingye Real Estate Company Limited | 17 May 2011 | RMB200,000,000 | — | 100% | Property development |
| 成都晨明置業有限公司 Chengdu Chenming Property Company Limited | 5 July 2010 | RMB20,000,000 | — | 100% | Property development |
| 蚌埠恒通置業有限公司 Bengbu Hengtong Property Company Limited | 27 June 2012 | RMB295,000,000 | — | 100% | Property development |
| 新鄉御景置業有限公司 Xinxiang Yujing Property Company Limited | 23 May 2012 | RMB100,000,000 | — | 100% | Property development |
| 許昌帝景置業有限公司 Xuchang Dijing Property Company Limited | 27 April 2012 | RMB30,000,000 | — | 100% | Property development |

## 44 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/paid-in capital | Percentage of attributable equity interest Directly | Percentage of attributable equity interest Indirectly | Principal activities |
|---|---|---|---|---|---|
| 濟南恒大翡翠華庭置業有限公司 Jinan Hengda Feicuihuating Property Company Limited | 5 March 2012 | RMB750,000,000 | — | 100% | Property development |
| 臨汾市紫旌房地產開發有限公司 Linfen Zijin Real Estate Development Company Limited | 2 April 2007 | RMB30,000,000 | — | 100% | Property development |
| 潮州市恒大置業有限公司 Chaozhou Hengda Property Company Limited | 10 July 2012 | RMB280,000,000 | — | 100% | Property development |
| 長春信基房地產開發有限公司 Xinji (Changchun) Real Estate Company Limited | 8 June 2011 | RMB450,000,000 | — | 100% | Property development |
| 甘肅昱盛房地產開發有限公司 Gansu Yusheng Real Estate Company Limited | 25 September 2007 | RMB35,000,000 | — | 100% | Property development |
| 長沙恒璽置業有限公司 Changsha hengxi Property Company Limited | 24 February 2012 | RMB140,000,000 | — | 100% | Property development |
| 恒大長白山礦泉水有限公司 Hengda Changbaishan Kuangquanshui Company Limited | 11 September 2006 | RMB80,000,000 | — | 100% | Spring water production |
| 江西宏吉投資有限公司 Jiangxi Hongji Investment Construction Company Limited | 19 April 2004 | RMB34,100,000 | — | 100% | Property development |
| 丹陽恒大置業有限公司 Danyang Hengda Property Company Limited | 26 September 2010 | RMB 734,942,000 | — | 100% | Property development |
| 撫順嘉鑫置業有限公司 Fushun Jiaxin Property Company Limited | 24 February 2011 | RMB 300,000,000 | — | 100% | Property development |
| 恒大地產集團韶關有限公司 Hengda Real (Shaoguan) Estate Group Company Limited | 16 March 2011 | RMB230,000,000 | — | 100% | Property development |
| 安慶恒遠置業有限公司 Anqing Hengyuan Property Company Limited | 18 July 2011 | RMB361,000,000 | — | 100% | Property development |
| 恒大園林集團有限公司 Hengda yuanlin Group Company Limited | 24 January 2002 | RMB120,000,000 | — | 100% | Landscaping services |
| 恒大地產集團海南有限公司 Hengda (Hainan) Real Estate Group Company Limited | 30 December 2009 | RMB352,000,000 | — | 100% | Property Development |
| 成都天府水城房地產開發有限公司 Chengdu Tianfu Real Estate Company Limited | 03 January 2008 | RMB1,524,591,200 | — | 100% | Property Development |

## 44 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/paid-in capital | Percentage of attributable equity interest Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 恒大地產集團景德鎮置業有限公司 Hengda Jingdezhen Property Company Limited | 29 June 2010 | RMB 474,000,000 | — | 100% | Property Development |
| 石家莊地益嘉房地產開發有限公司 Shijiazhuang Diyijia Real Estate Company Limited | 08 November 2006 | RMB 5,000,000 | — | 100% | Property Development |
| 恒大地產集團呼和浩特有限公司 Hengda (Huhehaote) Real Estate Group Company Limited | 06 September 2010 | RMB390,000,000 | — | 100% | Property Development |
| 運城市金恒房地產開發有限公司 Yuncheng Jinheng Real Estate Company Limited | 30 September 2010 | RMB135,000,000 | — | 100% | Property Development |
| 遵義市新廣房地產開發有限公司 Zunyi Xinguang Real Estate Company Limited | 12 December 2007 | RMB 8,000,000 | — | 100% | Property Development |
| 恒大地產集團銀川有限公司 Hengda (Yinchuan) Real Estate Group Company Limited | 16 December 2010 | RMB418,660,000 | — | 100% | Property Development |
| 新鄉名都置業有限公司 Xinxiang Mingdu Property Company Limited | 24 December 2010 | RMB 150,000,000 | — | 100% | Property Development |
| 長春泰基房地產開發有限公司 Changchun Taiji Real Estate Group Company Limited | 24 December 2010 | RMB 600,000,000 | — | 100% | Property Development |
| 宿遷恒大華府置業有限公司 Suqian Hengda Huafu Property Company Limited | 06 January 2011 | RMB310,000,000 | — | 100% | Property Development |
| 恒大地產鷹潭有限公司 Hengda (Yingtan) Real Estate Group Company Limited | 21 February 2011 | RMB452,789,200 | — | 100% | Property Development |
| 撫順嘉順置業有限公司 Fushun Jiashun Property Company Limited | 17 February 2011 | RMB365,632,000 | — | 100% | Property Development |
| 新余市興旺房地產開發有限公司 Xinyu Xingwang Real Estate Group Company Limited | 25 December 2009 | RMB243,000,000 | — | 100% | Property Development |
| 東莞市深建房地產有限公司 Dongguan Shenjian Real Estate Group Company | 01 September 2014 | RMB364,600,000 | — | 100% | Property Development |
| 東莞市城邦房地產開發有限公司 Dongguan Chengbang Real Estate Group Company Limited | 01 January 2008 | RMB301,000,000 | — | 100% | Property Development |
| 南昌中電投高新置業有限公司 Nanchang Zhongdiantou Gaoxin Property Company Limited | 10 May 2011 | RMB383,000,000 | — | 100% | Property Development |

## 44 INVESTMENTS IN SUBSIDIARIES — COMPANY (Continued)

| Name | Date of incorporation/ Establishment | Nominal value of issued and fully paid share capital/paid-in capital | Percentage of attributable equity interest Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|
| 長沙恒璽置業有限公司 Changsha Hengxi Property Company Limited | 02 September 2011 | RMB140,000,000 | — | 100% | Property Development |
| 新鄉御景置業有限公司 Xinxiang Yujing Property Company Limited | 23 May 2012 | RMB100,000,000 | — | 100% | Property Development |
| 平湖恒大名都置業有限公司 Pinghu Hengda Mingdu Property Company Limited | 18 June 2012 | RMB200,000,000 | — | 100% | Property Development |
| 烏海市俊景房地產開發有限公司 Wuhai Junjing Real Estate Group Company Limited | 19 June 2012 | RMB220,000,000 | — | 100% | Property Development |
| 武威房地產開發有限公司 Wuwei Real Estate Group Company Limited | 08 June 2012 | RMB280,000,000 | — | 100% | Property Development |
| 泰來恒大綠色米業有限公司 Tailai Hengda Organic Rice Company Limited | 18 August 2014 | RMB10,000,000 | — | 100% | Food Production |
| 內蒙古鼎旺糧油加工有限公司 Inner Mongolia Dingwang Grain and Oil Processing Company Limited | 28 June 2010 | RMB57,000,000 | — | 100% | Food Production |
| 內蒙古新穀園生態農業有限公司 Inner Mongolia Xinguyuan Organic Farming Company Limited | 20 October 2005 | RMB84,967,310 | — | 100% | Food Production |
| 綏化恒大非轉基因壓榨大豆油有限公司 Suihua Hengda Non-GMO Compressing Soybean Oil Company Limited | 04 March 2008 | RMB55,000,000 | — | 100% | Food Production |
| 黑河孫吳恒大非轉基因壓榨大豆油有限公司 Heihe Sunwu Hengda Non-GMO Compressing Soybean Oil Company Limited | 16 April 2007 | RMB100,000,000 | — | 100% | Food Production |
| 泰來恒大米業有限公司 Tailai Hengda Rice Company Limited | 10 August 2006 | RMB27,500,000 | — | 100% | Food Production |

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

# Six Years Financial Summary

## CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

(as at 31 December)

| | 2009<br>RMB'000 | 2010<br>RMB'000 | 2011<br>RMB'000 | 2012<br>RMB'000 | 2013<br>RMB'000 | **2014**<br>**RMB'000** |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Non-current assets | 4,631,203 | 12,856,479 | 25,502,220 | 38,446,924 | 58,769,765 | **90,812,002** |
| Current assets | 58,440,061 | 91,595,985 | 153,521,188 | 200,543,627 | 289,378,427 | **383,650,091** |
| **Total assets** | 63,071,264 | 104,452,464 | 179,023,408 | 238,990,551 | 348,148,192 | **474,462,093** |
| **EQUITY** | | | | | | |
| **Total equity** | 13,157,146 | 21,366,225 | 34,130,753 | 41,691,325 | 79,342,634 | **112,378,004** |
| **LIABILITIES** | | | | | | |
| Non-current liabilities | 8,416,541 | 25,656,334 | 45,089,711 | 46,921,426 | 80,608,055 | **93,847,225** |
| Current liabilities | 41,497,577 | 57,429,905 | 99,802,944 | 150,377,800 | 188,197,503 | **268,236,864** |
| **Total liabilities** | 49,914,118 | 83,086,239 | 144,892,655 | 197,299,226 | 268,805,558 | **362,084,089** |
| **Total equity and liabilities** | 63,071,264 | 104,452,464 | 179,023,408 | 238,990,551 | 348,148,192 | **474,462,093** |

| | 2009<br>RMB'000 | 2010<br>RMB'000 | 2011<br>RMB'000 | 2012<br>RMB'000 | 2013<br>RMB'000 | **2014**<br>**RMB'000** |
|---|---|---|---|---|---|---|
| Revenue | 5,722,657 | 45,801,401 | 61,918,185 | 65,260,838 | 93,671,780 | **111,398,112** |
| Cost of sales | (3,776,308) | (32,432,232) | (41,310,558) | (47,050,471) | (66,023,022) | **(79,614,503)** |
| **Gross profit** | 1,946,349 | 13,369,169 | 20,607,627 | 18,210,367 | 27,648,758 | **31,783,609** |
| Fair value gains on investment properties | 842,570 | 3,350,857 | 4,235,953 | 4,459,506 | 5,815,221 | **9,392,928** |
| Other gains | 347,554 | 184,369 | 755,806 | 635,525 | 1,041,322 | **533,856** |
| Other income | — | — | — | — | — | **1,430,590** |
| Selling and marketing costs | (1,075,142) | (1,574,262) | (2,720,756) | (3,017,664) | (4,309,728) | **(9,153,524)** |
| Administrative expenses | (744,960) | (1,384,263) | (2,161,218) | (2,600,664) | (3,472,494) | **(4,038,437)** |
| Other operating expenses | (63,890) | (124,957) | (791,162) | (1,164,213) | (1,679,337) | **(1,396,449)** |
| **Operating profit** | 1,252,481 | 13,820,913 | 19,926,250 | 16,522,857 | 25,043,742 | **28,552,573** |
| Fair value change on embedded financial derivatives | 197,403 | — | — | — | — | **3,758,100** |
| Finance (costs)/income, net | (3,709) | 271,798 | 448,598 | (33,056) | 352,618 | **(1,015,274)** |
| Share of loss of investments accounted for using the equity method | — | — | — | — | — | **(104,230)** |
| **Profit before income tax** | 1,446,175 | 14,092,711 | 20,374,848 | 16,489,801 | 25,396,360 | **31,191,169** |
| Income tax expenses | (329,371) | (6,068,035) | (8,648,255) | (7,307,880) | (11,687,328) | **(13,175,091)** |
| **Profit for the year** | 1,116,804 | 8,024,676 | 11,726,593 | 9,181,921 | 13,709,032 | **18,016,078** |
| Other comprehensive income | — | — | — | — | (157,235) | **157,235** |
| Total comprehensive income for the year | 1,116,804 | 8,024,676 | 11,726,593 | 9,181,921 | 13,551,797 | **18,173,313** |
| **Attributable to:** | | | | | | |
| Shareholders of the Company | 1,046,428 | 7,588,786 | 11,323,663 | 9,170,837 | 12,454,543 | **12,604,053** |
| Holders of perpetual capital instruments | — | — | — | — | 656,559 | **4,338,756** |
| Non-controlling interests | 70,376 | 435,890 | 402,930 | 11,084 | 440,695 | **1,073,269** |

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