IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing this Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES (THE "NOTES") AND THE GUARANTEE DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON OR ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities described herein, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Goldman Sachs (Asia) L.L.C., Deutsche Bank AG, Singapore Branch, Bank of China (Hong Kong) Limited, Morgan Stanley & Co. International plc, UBS AG, Hong Kong Branch, DBS Bank Ltd. and Australia and New Zealand Banking Group Limited (together, the "Joint Lead Managers") that your stated electronic mail address to which this e-mail has been delivered is not located in the United States and that you consent to delivery of this Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the issue of the securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the issue of the securities be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the issue of the securities shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, nor any person who controls any of them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers. You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Sino-Ocean Land Treasure Finance I Limited

(incorporated with limited liability in the British Virgin Islands)

US$500,000,000 4.625% Guaranteed Notes due 2019
US$700,000,000 6.000% Guaranteed Notes due 2024

unconditionally and irrevocably guaranteed by

SINO-OCEAN 远洋地产

遠洋地產控股有限公司

Sino-Ocean Land Holdings Limited

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

(Stock Code: 03377)

Issue Price for the 2019 Notes: 99.471%
Issue Price for the 2024 Notes: 98.892%

Sino-Ocean Land Treasure Finance I Limited (the "Issuer") proposes to issue US$500,000,000 in principal amount of 4.625 per cent. Guaranteed Notes due 2019 (the "2019 Notes") and the US$700,000,000 in principal amount of 6.000 per cent. Guaranteed Notes due 2024 (the "2024 Notes", together with the 2019 Notes, the "Notes"). The Notes will be unsecured and unsubordinated obligations of the Issuer and will be unconditionally and irrevocably guaranteed (the "Guarantee") by Sino-Ocean Land Holdings Limited (the "Company" or the "Guarantor").

Interest on the Notes is payable semi-annually in arrear on January 30 and July 30 in each year at the rate set forth above, commencing on January 30, 2015. Payments on the Notes will be made without deduction for or on account of taxes imposed or levied by or on behalf the British Virgin Islands, Hong Kong or any authority thereof or therein having power to tax to the extent described under "Terms and Conditions of the Notes — Taxation".

Unless previously redeemed, or purchased and cancelled, the 2019 Notes will be redeemed on July 30, 2019, at their principal amount and the 2024 Notes will be redeemed on July 30, 2024 at their principal amount. The Notes are subject to redemption in whole, but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time upon occurrence of certain tax events. See "Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons". In addition, the Issuer may at any time redeem the Notes, in whole but not in part, at the Make Whole Price (as defined herein). See "Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption at the option of the Issuer". The Notes may also be redeemed at the option of the holders at 101 per cent. of their principal amount together with accrued interest following the occurrence of a Put Event (as defined herein) with respect to the Guarantor. See "Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption For Put Event".

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of, and permission to deal in, the 2019 Notes and application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the 2024 Notes, by way of debt securities issued to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO")) only on the Hong Kong Stock Exchange, and such permission is expected to become effective on or about July 31, 2014. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their adviser. The Notes are expected to be rated "Baa3" by Moody's Investors Service, Inc. and its affiliates ("Moody's"), "BBB-" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. and its affiliates ("S&P") and "BBB-" by Fitch Ratings and its affiliates ("Fitch"). The credit ratings accorded to the Notes are not a recommendation to purchase, hold or sell the Notes in as much as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for a given period or that the ratings will not be revised by the rating agencies in the future.

See "Risk Factors" beginning on page 9 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S.

Each series of the Notes will be initially evidenced by a global certificate (each a "Global Certificate") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificates. See "The Global Certificates". It is expected that delivery of the Global Certificates will be made on July 30, 2014 or such later date as may be agreed (the "Closing Date") by the Issuer and the Joint Lead Managers (as defined in "Sale and Subscription").

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

HSBC **J.P. Morgan** **Goldman Sachs (Asia) L.L.C.** **Deutsche Bank** **Bank of China (Hong Kong)**

Joint Lead Managers and Joint Bookrunners

Morgan Stanley **UBS** **DBS Bank Ltd.** **ANZ**

Offering Circular dated July 23, 2014

NOTICE TO INVESTORS

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed placement of the Notes. Both the Issuer and the Company, as well as The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Goldman Sachs (Asia) L.L.C., Deutsche Bank AG, Singapore Branch, Bank of China (Hong Kong) Limited, Morgan Stanley & Co. International plc, UBS AG, Hong Kong Branch, DBS Bank Ltd. and Australia and New Zealand Banking Group Limited (the "Joint Lead Managers"), reserve the right to withdraw the offering of the Notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable inquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

This Offering Circular is personal to the prospective investor to whom it has been delivered by the Joint Lead Managers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this Offering Circular to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without the Issuer's prior written consent is prohibited. The prospective investor, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make any photocopies of this Offering Circular.

This Offering Circular is intended solely for use in connection with the proposed offering of the Notes, and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Trust Deed and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Circular has been obtained by the Issuer and the Company from publicly available sources deemed by it to be reliable.

You should rely only on the information contained in this Offering Circular. The Issuer and the Company have not authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell the Notes. The information in this document is given only as of the date of this Offering Circular. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the Issuer's or the Company's affairs and those of each of their respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Prospective investors hereby acknowledge that (i) they have been afforded an opportunity to request from the Issuer and the Company and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with any investigation of the accuracy of such information or their investment decision, and (iii) no person has been authorized to give any information or to make any representation concerning the Issuer, the Company, the Notes or the Guarantee (other than as contained herein and information given by the Issuer's or the Company's duly authorized officers and employees, as applicable, in connection with investors' examination of the Issuer and the Company, and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Company or the Joint Lead Managers. In making an investment decision, prospective investors must rely on their examination of the Issuer and the Company and the terms of this offering, including the merits and risks involved.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Company or the Joint Lead Managers that any recipient of this Offering Circular should purchase the Notes. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this

Offering Circular and consult its own legal, business and tax advisors as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations, in making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Company believe this information to be reliable, this information has not been independently verified by the Issuer, the Company, the Joint Lead Managers or their respective directors, affiliates or employees and none of us, the Joint Lead Managers or their respective directors, affiliates or employees makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, the Notes or the Guarantee offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

None of the Issuer, the Company, the Joint Lead Managers, The Bank of New York Mellon, London Branch (the "Trustee"), the Registrar (as defined in the "Terms and Conditions of the Notes"), the Principal Paying Agent (as defined in the "Terms and Conditions of the Notes"), the Paying Agent (as defined in the "Terms and Conditions of the Notes") or the Transfer Agent (as defined in the "Terms and Conditions of the Notes"), or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. None of the Joint Lead Managers, the Trustee, the Registrar, the Principal Paying Agent, the Paying Agent or the Transfer Agent have independently verified the information contained in this Offering Circular and they can give no assurance that this information is accurate, truthful or complete. No representation, warranty or undertaking, express or implied, is made or any responsibility accepted, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Registrar, the Principal Paying Agent, the Paying Agent or the Transfer Agent accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any such person or on their behalf in connection with the Issuer, the Company or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee, the Registrar, the Principal Paying Agent, the Paying Agent or the Transfer Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

The distribution of this Offering Circular and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. Each person into whose possession this Offering Circular comes are required by the Issuer, the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. See "Sale and Subscription" for a description of certain restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions.

This Offering Circular is an advertisement and is not a prospectus for the purposes of Directive 2003/71/EC. E4

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS AS STABILIZING MANAGER (SUCH PARTY, A "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, references to:

- "2019 Notes" means the US$500,000,000 4.625 per cent. Guaranteed Notes due 2019, "2024 Notes" means the US$700,000,000 6.000 per cent. Guaranteed Notes due 2024 and to "Notes" means the 2019 Notes and the 2024 Notes collectively;
- "we", "our", "us", "the Company" and "the Guarantor" are to Sino-Ocean Land Holdings Limited and, as the context requires, its consolidated subsidiaries;
- the "Issuer" are to Sino-Ocean Land Treasure Finance I Limited, a wholly-owned subsidiary of the Company;
- the "PRC" or "China" are to the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- "China Life" are to China Life Insurance Company Limited (中國人壽保險股份有限公司);
- "COSCO Group" are to China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), a PRC wholly state-owned enterprise;
- "Greenland" are to Greenland Holding Group Company Limited;
- "Greentown" are to Greentown China Holdings Limited;
- "Sinochem Group" are to Sinochem Group (中國中化集團公司), a PRC wholly state-owned enterprise under the supervision of SASAC;
- "Sinochem Corporation" are to Sinochem Corporation (中國中化股份有限公司), a joint stock limited liability company formed in 2009, 98% of the equity interest of which is owned by Sinochem Group and 2% by COSCO Group;
- "Sinochem Hong Kong" are to Sinochem Hong Kong (Group) Company Limited (formerly known as Sinochem Hong Kong (Holdings) Company Limited), a company incorporated with limited liability in Hong Kong in 1989, which is wholly-owned by Sinochem Corporation;
- "CBRC" are to the China Banking Regulatory Commission;
- "MOFCOM" are to the Ministry of Commerce of the PRC;
- "MLR" are to the Ministry of Land and Resources of the PRC;
- "Nan Fung" are to Nan Fung International Holdings Limited;
- "NDRC" are to the National Development and Reforming Commission;
- "PBOC" are to the People's Bank of China;
- "SAFE" are to the State Administration of Foreign Exchange of the PRC;
- "SAIC" are to the State Administration for Industry and Commerce;
- "SASAC" are to the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
- "Swire" are to Swire Properties Ltd.;
- "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America;
- "HK$" and "HK dollars" and "Hong Kong dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region;
- "RMB" or "Renminbi" are to the Renminbi, the official currency of the PRC;
- "BVI" are to the British Virgin Islands;
- "Pan-Bohai Rim" include Tianjin, Dalian, Qingdao and Qinhuangdao;
- "Yangtze River Delta" include Shanghai, Hangzhou, Huangshan and Zhenjiang;
- "Pearl River Delta" include Shenzhen, Zhongshan, Sanya and Haikou;
- "Tier 1 cities" include Beijing, Shanghai and Shenzhen;
- "Tier 2 cities" include Dalian, Qingdao, Tianjin, Changchun, Shenyang, Chengdu, Chongqing, Wuhan, Hangzhou and Zhongshan;

- "Tier 3 cities" include Qinhuangdao, Fushun, Huangshan, Zhenjiang, Haikou and Sanya; and
- "Other Regions" include cities other than Beijing and those in the Pan-Bohai Rim, Yangtze River Delta and the Pearl River Delta.

Unless otherwise indicated, all references in this Offering Circular to "Terms and Conditions of the 2019 Notes" and "Terms and Conditions of the 2024 Notes" are to the terms and conditions governing the 2019 Notes and the 2024 Notes, as respectively set out in "Terms and Conditions of the 2019 Notes" and "Terms and Conditions of the 2024 Notes" (collectively, the "Terms and Conditions of the Notes").

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this Offering Circular represents the site area and GFA of the entire project, including those attributable to the minority shareholders of non-wholly owned project companies included in our consolidated financial statements.

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms in this Offering Circular that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

"aggregate GFA"	the total of saleable/rentable GFA and non-saleable/rentable GFA
"CAGR"	compound annual growth rate
"certificate of completion"	the construction project planning inspection and clearance certificate (建設工程竣工驗收備案) issued by various local bureaus in China including the fire protection department, planning department, environmental protection department and air defense department with respect to the completion of property projects subsequent to their onsite examination and inspection
"commodity properties"	residential properties, commercial properties and other buildings that are developed by real estate developers for the purposes of sale or lease after their completion
"construction land planning permit"	the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"construction permit"	the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority
"construction works planning permit"	the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"GFA"	gross floor area
"land bank"	the total amount of GFA from all of the following: (i) projects for which the relevant governmental authorities have granted us land use rights certificates; and (ii) projects for which we have entered into land grant contracts or successfully tendered but have not yet obtained land use rights certificates. Land bank is calculated based on the amount of "remaining GFA". "Remaining GFA" is not equivalent to "remaining saleable GFA" as it includes both saleable and non-saleable remaining GFA
"land grant contract"	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
"land use right certificate"	a certificate issued by a local property and land resources bureau in the PRC with respect to land use rights
"land use right transfer agreement"	an agreement in respect of the transfer of the land use right of a parcel of land by the previous grantee of the land use right in the secondary market
"LAT"	land appreciation tax

"non-saleable/rentable GFA"	the amount of GFA that is not for sale or for rent, which typically includes communal facilities and service areas
"pre-sale"	sales of properties prior to the completion of their construction after the satisfaction of certain conditions under PRC laws and regulations
"pre-sale permit"	the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"primary land development"	a type of development whereby we are appointed by a government department to carry out certain planning, removal, resettlement and foundational infrastructure work ahead of the tender, bid, or auction process of a given plot of land to a property developer
"property ownership certificate"	the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"saleable/rentable GFA"	the amount of GFA that a property developer intends to sell or rent and that does not exceed the multiple of the site area and the maximum permissible plot ratio
"sq.m."	square meter
"urbanization rate"	the percentage of a given population of a defined area that lives in an urban area

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

Our consolidated financial statements as at December 31, 2011, 2012 and 2013 and for the years then ended have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). HKFRS differs in certain respects from generally accepted accounting principles in other countries, including IFRS. Potential investors should consult their own professional advisors for an understanding of the differences HKFRS, IFRS and the accounting principles in certain other jurisdictions and other jurisdictions. Unless otherwise specified or the context otherwise requires, all financial information in this Offering Circular is presented on a consolidated basis. Unless otherwise indicated, the historical financial information included in this Offering Circular has been derived from the Company's audited consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013.

Exchange Rate Information

Solely for your convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts into U.S. dollar amounts, Renminbi amounts into Hong Kong dollar amounts, and Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.0537 to US$1.00, the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States ("Federal Reserve Board") on December 31, 2013. Further information on exchange rates is set forth in "Exchange Rate Information". You should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar or HK dollar amounts, as the case may be, or any HK dollar amounts could be converted into any U.S. dollar amounts, at the rates indicated or at all.

Rounding

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

Non-GAAP Financial Measures

We have included certain financial measures in this Offering Circular that are not defined under HKFRS or the accounting principles generally accepted in certain other jurisdictions, including EBITDA, EBITDA margin, core net profit and core net profit margin. For purposes of this Offering Circular, we have defined (i) EBITDA as revenue plus depreciation, amortization and capitalized interest recognized in cost of sales minus cost of sales, selling and marketing expenses and administrative expenses; (ii) EBITDA margin as EBITDA divided by our revenue for the period; (iii) core net profit as the profit attributable to owners of the Company excluding one-off or non-recurring gains or losses and tax-adjusted fair value gains on investment properties; and (iv) core net profit margin as core net profit divided by revenue for the period. EBITDA, EBITDA margin, core net profit and core net profit margin are not standard measurements under HKFRSs. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense, capitalized interest or other non-operating items. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- our ability to obtain the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our customers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as "may", "will", "should", "could", "would", "expect", "intend", "plan", "anticipate", "going forward", "ought to", "seek", "project", "forecast", "believe", "estimate", "predict", "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled "Risk Factors" in this Offering Circular. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this Offering Circular, whether as a result of new information, future events or otherwise after the date of this Offering Circular. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to you. You should therefore read this Offering Circular in its entirety.

Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

Overview

We are a leading large-scale national property developer with developments in key economic regions in the PRC, including Beijing, Pan-Bohai Rim, Yangtze River Delta and Pearl River Delta. We focus on developing mid- to high-end residential properties, high-end office buildings and retail spaces and selectively expanding our investment property portfolio. Attributable to our focus on quality products and professional services, we have built "Sino-Ocean" ("遠洋地產") into a strong national brand. We believe we are among the top 10 listed PRC real estate developers by total assets and net assets, based on reported total assets and net assets of listed PRC real estate companies in the fiscal year 2013.

We had 58 projects in various stages of development as of December 31, 2013 in high-growth cities across the PRC. Our core markets include Beijing, Tianjin, Dalian, Shanghai, Shenzhen and Zhongshan. As of December 31, 2013, our total land bank included a total planned GFA of approximately 21.35 million sq.m. in the PRC. We started expanding our focus on investment properties in recent years and had seven completed investment properties by December 31, 2013 with a leasable area of approximately 521,000 sq.m.

China Life is our single largest shareholder and held 29.02% of our shares as of December 31, 2013. Nan Fung is our second largest shareholder and held 20.97% of our shares as of the same date. China Life has provided a letter of support and a non-binding equity purchase undertaking, while Nan Fung has provided a letter of support. China Life and Nan Fung participate in the management of our Company and have appointed directors to our Board of Directors. We also have project-level collaborations with China Life and Nan Fung. Please refer to the section headed "Relationship with Principal Shareholders" for more details.

For the three years ended December 31, 2011, 2012 and 2013, our contracted sales amounted to RMB27,005 million, RMB31,119 million and RMB35,818 million, respectively. For those same years, our revenue was RMB19,897 million, RMB28,658 million and RMB31,099 million, respectively, and revenue from property development accounted for approximately 89%, 91% and 91% of our revenue, respectively. Profit for the year was RMB2,621 million, RMB3,987 million and RMB4,661 million, respectively.

Our Strengths

We believe that our success and future prospects are supported by the following strengths:

- A position as one of the top listed real estate developers in the PRC with strategic coverage over major economic regions
- Diversified business operations and balanced property portfolio
- A high-quality land bank mainly located in Tier 1 and Tier 2 cities and disciplined land acquisition strategy
- Making use of diversified funding channels to effectively manage financing costs
- A strong customer focus and reputable brand name
- Stable and experienced management and robust corporate governance

Our Strategies

Our vision is to become the premier diversified property developer in China. Our strategies to achieve this vision are:

- Continue to optimize profitability and improve operational efficiency
- To create more value and achieve additional synergies across the value chain of our business operations
- Continue to further strengthen our business foundation and improve our development capabilities

SUMMARY FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information for the periods indicated.

The summary consolidated financial information for the years ended December 31, 2011, 2012 and 2013 set forth below is derived from our published audited consolidated financial statements for such respective years. Our audited consolidated financial statements for each of the years ended December 31, 2011, 2012 and 2013 are included in this Offering Circular.

Our consolidated financial statements are prepared and presented in accordance with HKFRS, which differs in certain material respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. You should read the summary financial information below in conjunction with the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements included in this Offering Circular. Historical results are not necessarily indicative of future results.

Consolidated Income Statement Information

	Year ended December 31,			
	2011	**2012**	**2013**	**2013**
	(RMB)	**(RMB)**	**(RMB)**	**(US$)**
	(in millions)			
Revenue	19,897	28,658	31,099	5,137
Cost of sales	(13,639)	(20,959)	(23,552)	(3,891)
Gross profit	6,258	7,699	7,547	1,247
Interest and other income	225	209	376	62
Other gains/(losses) — net	128	(126)	102	17
Fair value gains on investment properties	513	1,535	808	133
Selling and marketing expenses	(776)	(963)	(785)	(130)
Administrative expenses	(820)	(853)	(675)	(112)
Operating profit	5,527	7,501	7,373	1,218
Finance costs	(419)	(625)	(364)	(60)
Share of profits of joint ventures	69	362	347	57
Share of losses of associates	(3)	(3)	(16)	(3)
Profit before income tax	5,174	7,235	7,341	1,213
Income tax expenses	(2,554)	(3,248)	(2,680)	(443)
Profit for the year	2,621	3,987	4,661	770
Attributable to:				
Owners of the Company	2,571	3,796	4,075	673
Non-controlling interests	50	191	586	97
Other financial data(1):				
Core net profit	2,134	2,505	3,036	502
Core net profit margin	10.7%	8.7%	9.8%	9.8%
EBITDA	5,390	7,030	7,130	1,178
EBITDA margin	27.1%	24.5%	22.9%	22.9%

(1) For purposes of this Offering Circular, we have defined (i) EBITDA as revenue plus depreciation, amortization and capitalized interest recognized in cost of sales minus cost of sales, selling and marketing expenses and administrative expenses; (ii) EBITDA margin as EBITDA divided by our revenue for the period; (iii) core net profit as the profit attributable to owners of the Company excluding one-off or non-recurring gains or losses and tax-adjusted fair value gains on investment properties; and (iv) core net profit margin as core net profit divided by revenue for the period. EBITDA, EBITDA margin, core net profit and core net profit margin are not standard measurements under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be

considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating items. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Accordingly, investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

Selected Consolidated Balance Sheet Information

	As at December 31,			
	2011	2012	2013	2013
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
ASSETS				
Non-current assets				
Property, plant and equipment	225	213	204	34
Land use rights	9	9	9	1
Investment properties	5,462	7,202	10,302	1,702
Goodwill	630	457	240	40
Investments in joint ventures	1,052	1,478	1,682	278
Interests in associates	606	665	630	104
Available-for-sale financial assets	245	838	746	123
Trade and other receivables	598	475	16	3
Deferred income tax assets	1,503	2,394	1,940	320
Total non-current assets	10,332	13,731	15,769	2,605
Current assets				
Prepayments for land use rights	8,188	5,084	10,686	1,765
Properties under development	65,470	71,974	69,903	11,547
Inventories, at cost	68	79	99	16
Amounts due from customers for contract work	420	832	997	165
Land development cost recoverable	4,029	1,639	1,714	283
Completed properties held for sale	3,274	9,092	12,080	1,995
Available-for-sale financial assets	196	155	405	67
Other investments	16	63	20	3
Financial assets at fair value through profit or loss	412	189	191	32
Trade and other receivables	5,463	9,320	9,955	1,644
Restricted bank deposits	3,769	5,399	4,797	792
Cash and cash equivalents	8,648	10,747	11,253	1,859
Total current assets	99,954	114,573	122,100	20,169
Total assets	110,285	128,305	137,869	22,774

	As at December 31,			
	2011	2012	2013	2013
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
Equity				
Equity attributable to owners of the Company				
Share capital and premium	20,231	20,735	26,079	4,308
Shares held for Restricted Share Award Scheme	(132)	(92)	(79)	(13)
Convertible securities	5,969	5,969	—	—
Capital securities	2,533	2,533	2,533	418
Reserves	170	335	166	27
Retained earnings				
— proposed final dividend	462	807	920	152
— others	6,036	7,973	10,438	1,724
Equity attributable to owners of the Company	35,268	38,260	40,058	6,617
Non-controlling interests	3,489	3,786	3,387	559
Total equity	38,757	42,046	43,445	7,177
LIABILITIES				
Non-current liabilities				
Borrowings	19,106	20,873	22,456	3,709
Deferred income tax liabilities	1,387	1,698	1,853	306
	20,492	22,572	24,309	4,016
Current liabilities				
Borrowings	14,482	11,520	12,839	2,121
Derivative financial instrument	—	19	—	—
Trade and other payables	10,175	16,191	17,987	2,971
Advance receipts from customers	22,870	30,681	34,604	5,716
Income tax payable	3,509	5,276	4,685	774
	51,036	63,687	70,115	11,582
Total liabilities	71,528	86,258	94,424	15,598
Total equity and liabilities	110,285	128,305	137,869	22,774
Net current assets	48,918	50,886	51,985	8,587
Total assets less current liabilities	59,250	64,618	67,754	11,192

SUMMARY OF THE OFFERING

The following is a brief summary of some of the terms and conditions of the Notes. For a more complete description of the Notes, see "Terms and Conditions of the 2019 Notes" and "Terms and Conditions of the 2024 Notes" in this Offering Circular. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the 2019 Notes and "Terms and Conditions of the 2024 Notes".

Issuer	Sino-Ocean Land Treasure Finance I Limited.
Guarantor	Sino-Ocean Land Holdings Limited.
Status of the Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes.
Issue	US$500,000,000 4.625 per cent. Guaranteed Notes due 2019 and US$700,000,000 6.000 per cent. Guaranteed Notes due 2024.
2019 Notes Issue Price	99.471 per cent.
2024 Notes Issue Price	98.892 per cent.
Issue Date	July 30, 2014
Status of the Notes	The Notes constitute (subject to Condition 4) direct, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
2019 Notes Maturity Date	July 30, 2019
2024 Notes Maturity Date	July 30, 2024
Taxation	All payments made by the Issuer or the Guarantor under or in respect of the Notes will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands, Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law, to the extent described in Condition 8 of the Terms and Conditions of the Notes.
Interest and Interest Payment Dates	The 2019 Notes will bear interest at a rate of 4.625 per cent. per annum, payable semi-annually in arrear on January 30 and July 30 of each year commencing January 30, 2015.

	The 2024 Notes will bear interest at a rate of 6.000 per cent. per annum, payable semi-annually in arrear on January 30 and July 30 of each year commencing on January 30, 2015.
Negative Pledge	Neither the Issuer nor the Guarantor will, and the Guarantor will ensure that none of its Principal Subsidiaries (other than the Listed Principal Subsidiaries) will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security, as further described in Condition 4 of the Terms and Conditions of the Notes.
Events of Default	The Notes contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Notes.
Redemption for Put Event	At any time following the occurrence of a Put Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, and not some only, of that holder's Notes on the Put Event Redemption Date at 101 per cent. of their principal amount, together with accrued and unpaid interest to (but excluding) the Put Event Redemption Date.
Form and Denomination	The Notes will be issued in registered form in the denomination of US$200,000 each and higher integral multiples of US$1,000.
Clearing System	Each series of the Notes will be represented initially by beneficial interests in a Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for, Euroclear and Clearstream, Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.
Redemption for Taxation Reasons.....	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with accrued interest, at any time in the event of certain changes affecting taxes of certain jurisdictions, as further described in Condition 7 of the Terms and Conditions of the Notes.
Governing Law	English law.

Ratings	The Notes are expected to be rated "Baa3" by Moody's, "BBB-" by S&P and "BBB-" by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organization. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Issuer.
Trustee	The Bank of New York Mellon, London Branch
Principal Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt securities issued to professional investors only.
Use of Proceeds	To repay existing indebtedness and for general corporate purposes.

Prior to making any investment decision, you should consider carefully all of the information in this Offering Circular, including the risk factors and uncertainties described below. Our business, financial condition or results of operations could be materially adversely affected by any of these considerations and uncertainties. Additional considerations and uncertainties not presently known to us, or which we currently deem immaterial, may also have an adverse effect on an investment in the Notes.

Risks Relating to our Business

We are dependent on the performance of the PRC property sector, particularly in Beijing and the Pan-Bohai Rim.

We are subject to the conditions of the real estate market in the PRC generally and in Beijing and the Pan-Bohai Rim in particular. For the year ended December 31, 2013, approximately 28% of our contracted sales was attributable to sales of properties located in Beijing and 28% was attributable to sales of properties located in other cities in the Pan-Bohai Rim. We expect our business will continue to be heavily affected by the state of the property market in the PRC, particularly in Beijing and the Pan-Bohai Rim. Any adverse developments in the supply of and demand for property or in property prices in the PRC, particularly in Beijing and the Pan-Bohai Rim, would have a material adverse effect on our business, financial condition and results of operations.

Demand for private residential properties in the PRC has grown significantly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. In addition, demand for properties has been affected and will continue to be affected by the macro economic control measures implemented by the PRC government from time to time. In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Since late 2009, the PRC government has adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. In 2010 and 2011, the PRC government adopted certain new policies to cool down the real estate market. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. On February 26, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. In addition, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-residential families without a certain number of years of tax payment certificates or social insurance payments would be banned from buying homes in the cities in which they currently reside. Regulations were also promulgated at various levels to promote affordable housing.

The PRC government may further introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See "Risk Factors — Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property market in China".

In addition, the future demand for different types of properties is uncertain. If we do not respond to changes in market conditions or customer preferences in a timely manner, our results of operation will be adversely affected. There can be no assurance that our property development and investment activities will continue at past levels or that we will be able to benefit from the future growth, if any, of the property markets in Beijing, or the Pan-Bohai Rim, or other parts of the PRC.

Increasing competition in the PRC, particularly in the Pan-Bohai Rim, may adversely affect our business and financial condition.

In recent years, a large number of property developers have undertaken property development and investment projects in the Pan-Bohai Rim and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than we. In addition, we also compete with small local homebuilders.

The intensity of the competition among property developers in the Pan-Bohai Rim and elsewhere in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased costs for land acquisition and construction, an oversupply of properties in certain parts of the PRC, including Beijing, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the commodity properties we sell. Any of the above may adversely affect our business, financial condition and results of operations.

In addition, the property markets in the Pan-Bohai Rim and elsewhere in the PRC have been rapidly changing. If we cannot respond to changes in market conditions in the Pan-Bohai Rim or elsewhere or changes in customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We cannot assure you that we will be successful when expanding into other cities in China.

We are currently developing projects outside Beijing and are rapidly expanding our operations in other areas of China. Our active penetration into other areas in China may place a strain on our managerial, operational and financial resources and will further contribute to an increase in our financing requirements. Our experience as primarily a residential property developer in Beijing may not be applicable in other regions. We cannot assure you that we will be able to replicate our successful business models and leverage such experience to expand into other parts of China or outside China. When we enter new markets, we may face intense competition from developers with experience or established presence in the geographical areas or segments that we plan to expand into and from other developers with similar expansion plans. There can be no assurance that we will be successful in expanding into other areas in China and that our revenue from those projects in other areas in China will grow at the rate we anticipate or at all. For example, we could face considerable reputational and financial risks if our development projects outside Beijing are mismanaged or do not meet the expectations of customers.

We may not be able to successfully manage our growth.

We have been rapidly expanding our operations in recent years, including by expanding into new cities and regions. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our business depends on the availability of an adequate supply of sites.

The growth and success of our business depend on our ability to continue to acquire suitable reserves in desirable locations. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain substitute land sites for development in the future at prices that allow us to achieve reasonable returns upon sale to our customers.

The PRC government controls substantially all of the land supply in the PRC. As a result, the policies of the PRC government towards land supply will affect our ability to acquire land use rights for the sites we have identified for future developments and our land acquisition costs. In the PRC, land use rights for residential or commercial property developments must be sold by public bidding, auction or listing-for-sale. In addition, the PRC government may limit the supply of land available for development in the cities in which we have or intend to have development projects. We cannot assure you that we will be successful in tendering or bidding for sites. In addition, we have acquired and in the future intend to acquire land by acquiring other property development companies and we cannot assure you that we will be able to obtain applicable government approvals for companies so acquired.

If changes in government policy lead to a reduction in land supply, our business, future financial condition and results of operations may be materially and adversely affected.

Our business may be adversely affected by increases in interest rates.

We cannot assure you that we will have adequate cash flow to service our financing obligations. We have substantial interest obligations for our borrowings, and, for the years ended December 31, 2011, 2012 and 2013, our interest expense on total borrowings (including the capitalized portion) was RMB2,240 million, RMB2,946 million and RMB2,585 million, respectively. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. The PBOC from time to time adjusts the benchmark lending rates. For example, the PBOC increased the benchmark one-year lending rate from 5.56% on October 20, 2010 and to 6.56% on July 7, 2011 and decreased it to 6.31% on June 8, 2012 and to its current level of 6.00% on July 6, 2012. The PBOC may raise the benchmark lending rate yet again in order to control the growth rate of the Chinese economy or for other policy objectives. Any increases in interest rates on our borrowings, including as a result of interest rate increases by the PBOC, may have a material adverse effect on our financial condition and results of operations.

In addition, increases in interest rates by the PBOC will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties, which could, in turn, adversely affect our business, financial condition and results of operations.

We face significant property development risks before we realize any benefit from a development.

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of completed property developments, if at all. The time and costs required in completing a property development may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted for. Furthermore, any failure to complete a property development according to its original specifications or schedule may give rise to potential liabilities and, as a result, our return on investments may be lower than originally expected. In addition, any decreases in property prices or adverse developments in the property market after the acquisition of a parcel of land and prior to pre-sales or sales of completed property developments on such land could also have an adverse impact on our business, financial condition and results of operations.

We may not be able to obtain adequate funding for our property developments.

We generally fund our development projects through bank loans, internal cash flows, including proceeds from the pre-sale and sale of our properties, and capital raisings. There is no guarantee that we will always have sufficient funds available to fund all our future property developments.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. Various PRC regulations restrict our ability to raise capital through internal operation and external financing for property developments, including without limitation, the following:

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;
- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;
- PRC banks are restricted from granting revolving credit facilities to property developers that hold idle land and a large amount of vacant commodity properties;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- in November 2009, the PRC government raised the minimum down payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions;
- in March 2010, the MLR stipulated that the minimum down payment of land premium of 50% must be paid within one month after the signing of a land grant contract and the rest of the land premium must be fully paid within one year after the signing of a land grant contract; and
- on September 29, 2010, the PBOC and CBRC promulgated the "Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies" (Yin Fa [2010] No. 275 《(關於完善差別化住房信貸政策有關問題的通知)》 (銀發[2010]275號), which provides that all property companies with records of having idle land, changing the land use purpose and nature, delaying the project commencement or completion time and hoarding properties or other acts of noncompliance with applicable laws or regulations shall be restricted from obtaining bank loans or credit facilities for new projects.
- on February 26, 2013, the State Council issued the "Circular on Continuing the Regulation of Real Estate Market" (Guo Ban Fa [2013] No. 17) (the "Guo Ban Fa [2013] No. 17") (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)), pursuant to which, with regard to any real estate development enterprises that violate laws and regulations such as having idle land, driving up land prices, hoarding properties for speculation and driving up prices of houses, the relevant departments shall establish cooperative mechanisms, and investigate and impose appropriate penalties more strictly. Moreover, the banking financial institutions shall not offer loans to such enterprises for their new projects, the securities regulatory departments shall suspend the approval of the listing, refinancing and restructuring of such enterprises, and the banking regulatory departments shall not allow such enterprises to obtain financing through trust plans.

We cannot assure you that we will have adequate resources to fund property developments such as land acquisitions (including any unpaid land premiums for past acquisitions). We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire new land reserves, commence new projects or continue the development of existing projects. Such failure may also increase our finance costs and have a material adverse effect on our business, prospects, financial condition and results of operations.

We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities granted by financial institutions in the future on reasonable terms or at all or that any fluctuation in the interest rate will not affect our ability to fund our property developments.

Our level of indebtedness may adversely affect our future strategy and operations.

As at December 31, 2013, on a consolidated basis, we had approximately RMB35,295 million of total bank and other borrowings, consisting of a non-current portion of approximately RMB22,456 million and a current portion of approximately RMB12,839 million. As at such date, we had approximately RMB40,058 million in equity attributable to owners of the Company and our net gearing ratio (total borrowings minus cash and cash equivalents and restricted bank deposits divided by equity attributable to owners of the Company) was approximately 48%. Our level of indebtedness may adversely affect our future strategy and operations in a number of ways, including:

- our debt service requirements will reduce the funds available to us for other purposes;
- our ability to obtain adequate financing for working capital and capital expenditures for our projects on terms which will enable such projects to achieve a reasonable return to us may be limited; and
- our leverage may hinder our ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that our level of indebtedness and such restrictions will not materially and adversely affect our ability to finance our future operations or capital needs, successfully operate our business, engage in other business activities or pay dividends or distributions.

Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments.

The real estate industry in the PRC is strictly regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, we must obtain various permits, license, certificates and other approvals from the relevant administrative authorities at various stages of our property development projects, including land use rights documents, planning permits, construction permits, construction permits, pre-sale permits and certificate or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of various conditions, which are often subject to the discretion of relevant PRC government officials and subject to change due to new laws, regulations and policies, especially those with respect to the real estate sector, promulgated from time to time. If we fail to obtain, or encounter material delays in obtaining the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, financial condition and results of operations.

We typically set up a project company to develop and operate each property project. According to the current PRC regulations on qualification of property developers, a newly established project company must first apply for a provisional qualification certificate with a one-year validity, which can be extended for a maximum of two years. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. The property developer shall apply to the property development authority for a verification of qualification classification within one month before the expiry of the provisional qualification certificate. The competent property development authority shall check and verify the corresponding class of qualifications based on the development and operating performance thereof and issue a corresponding qualification certificate. The qualification certificate for property development has certain period of validity, and the property developer shall renew its qualification certificate for property development before the expiry of the validity for the qualification certificate. It is mandatory under government regulations that developers fulfilled all statutory requirements before obtaining or renewing their qualification certificates. For one of our project companies, our qualification certificate from the PRC government has expired, that for the development of Dalian Sunny-Ocean Property Limited ("大連明遠置業有限公司"). We are in the process of applying for the renewal of this certificate. The renewal of this certificate is subject to the discretion of the local governmental agencies and our compliance with the relevant conditions. There can be no assurance that we will successfully renew this certificate or obtain or renew certificates for our other projects in the future. Any failure to obtain or renew the qualification certificates of our project companies or to obtain other permits or otherwise comply with PRC laws and regulations on property development may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to obtain land use rights certificates for certain existing properties or properties acquired in the future.

We hold certain parcels of land for development for which we have not yet obtained the land use right certificates from the PRC government. In particular, as of December 31, 2013, we had entered into land grant contracts to acquire parcels of land with an aggregate GFA of approximately 3,210,000 sq.m., for which the land use right certificates had not been obtained. If we fail to obtain the land use right certificates with respect to such parcels of land in a timely manner, or at all, our business, financial condition and results of operations may be materially and adversely affected.

The letters of support from China Life and Nan Fung and the equity interest purchase undertaking letter as described in this Offering Circular are not legally binding obligations of China Life or Nan Fung and do not constitute guarantees of the Issuer's or Guarantor's obligations under the Notes.

The letters of support provided by our principal shareholders China Life and Nan Fung and the equity interest purchase undertaking letter as described in this Offering Circular under "Relationship with Principal Shareholders" are not legally binding obligations of China Life or Nan Fung and are subject to compliance with applicable regulatory requirements. They also do not constitute a guarantee by either China Life or Nan Fung of the Issuer's or Guarantor's obligations under the Notes. The letters of support and the equity interest purchase undertaking letter have not been given for the benefit of Noteholders and Noteholders will not be able to bring any action against China Life or Nan Fung to enforce them.

There is no assurance that China Life and Nan Fung will provide any support to us in the manner contemplated by the letters of support and the equity interest purchase undertaking letter and even if China Life or Nan Fung intends to provide direct financial support to us to meet our outstanding debt obligations, such financial support will be subject to relevant approvals which cannot be assured.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised by the offering in our business in the PRC.

On July 10, 2007, SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the Ministry of Commerce" (Hui Zong Fa [2007] No.130) ("Notice No. 130") (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》(匯綜發[2007]130號)). Notice No.130 provides, among other things, that the local foreign exchange authorities must not (i) process foreign debt registrations or applications for the settlement of foreign debt submitted by real estate enterprises with foreign investment that obtained approval certificates from the competent commerce departments and registered with MOFCOM on or after June 1, 2007; or (ii) process foreign exchange registrations (or any change of such registrations) or foreign exchange settlements regarding capital account items and sale of foreign exchange submitted by foreign-invested real estate enterprises that obtained approval certificates from the competent commerce departments but have not registered with MOFCOM on or after June 1, 2007. On May 10, 2013, SAFE issued the "Notice of the State Administration of Foreign Exchange on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting Documents" (Hui Fa [2013] No.21) (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》(匯發[2013]21號)), which repealed Notice No. 130. But according to our PRC Counsel's informal consultations with SAFE, the requirements under Notice No. 130 are still implemented in practice. This effectively prohibits us from injecting funds raised offshore into our PRC project companies by way of shareholder loans. Without having the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each distribution payment date to pay the distribution due and payable under the Notes. In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government. Where a PRC subsidiary is a foreign-invested real estate enterprise, the commerce departments of provinces, autonomous regions and municipalities directly under the central government shall register the enterprise with MOFCOM after it obtains the approval certificate from the competent commerce department. The aforesaid procedures may take considerable time and delay the injection of funds into such subsidiaries. This may adversely affect the financial condition of our PRC subsidiaries and may cause delays in our projects. We cannot assure you that we have obtained or will obtain in a timely manner all relevant approvals or registrations for all our operating subsidiaries in the PRC to comply with this regulation.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China, the funds raised outside China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

Because we derive our revenues principally from the sale of property, our results of operations may vary significantly from period to period.

At present, we derive substantially all of our revenues from the sale of residential properties that we have developed, and we only derive a very small portion of our revenues from returns on investment properties such as rental income. Our results of operations may fluctuate in the future due to a combination of factors, including the overall schedules of our property development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties that we have developed and any volatility in expenses such as land costs and construction costs.

Furthermore, according to our accounting policy for revenue recognition, we recognize revenue from sale and pre-sale of our properties upon delivery, which normally takes place one to two years after the commencement of pre-sales. Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties which we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue, if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs as well as a limited supply of land.

In addition, seasonal variations have caused fluctuations in our interim revenues and profits, including quarterly and semiannual results. Our operations are substantially focused on northern China, where the weather conditions during the winter are not suitable for construction work. We therefore typically seek to complete the construction of, and deliver, most of our properties by November. As a result, we have typically recognized substantially more revenue in the second half of the year than in the first half of the year, and our interim results do not proportionally reflect our annual results.

In light of the above, we believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues from period to period.

Our profit margin is sensitive to fluctuations in the cost of construction materials.

Construction costs comprise one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property development projects, with the cost of third party contractors remaining relatively stable. However, as the construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to renegotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

We face risks related to the pre-sale of properties, including the risk that property developments are not completed.

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. We cannot assure you that these losses would not exceed any deposits that may have been made in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the actual GFA of a completed property delivered to a purchaser deviates by more than 3% from the GFA originally indicated in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference held in March 2006, a total of 33 delegates to the National People Congress put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC, published an article pointing out that the way to improve the system for commodity housing pre-sale in China is to abolish the financing function of pre-sale. On April 26, 2007, an economy research group under the National Development and Reform Commission ("NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On March 5, 2010, a government work report delivered by the former Chinese Premiere Wen Jiabao at the Third Session of the 11th National People's Congress pointed out that the PRC government will improve the pre-sale system of commodity housing. For example, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects that obtained the ''Permit for Construction Work'' after July 1, 2010. Those residential housing projects must have completed sealing the roof of the main structural works and passed examination before they can be available for pre-sale, thus raising the standards for presale.

We cannot assure you that the PRC authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit, or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, results of operations and financial condition.

We have experienced periods of net cash outflow from operating activities in the past.

Due to the nature of the property development business, we may from time to time experience net operating cash outflow when imbalances occur between the timing of our cash inflows relating to the pre-sale of properties and our cash outflows relating to the construction of properties and the purchases of land. For example, we had net cash used in operating activities in 2011 in the amount of approximately RMB9,501 million, which was primarily due to cash used in developing properties. We cannot assure you that we will not experience periods of net operating cash outflow in the future. If we continue to have net operating cash outflow in the future, our financial condition may be materially and adversely affected.

Our land use rights may be subject to forfeiture by the PRC government if we fail to comply with the terms of the land grant contracts.

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of the land use right grant premium and fees and designation of the use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land use right grant premium. If we do not commence development for more than two years from the date required by the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions, force majeure or necessary work to be completed before commencement of the development. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital actually invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land. According to Circular 151, (i) after the land use right is granted no one may change the planning and construction conditions without due authorization (if property developers apply for changes in land planning and construction conditions but do not commence construction on schedule under the construction conditions of the land grant, the land authorities may take back the land and re-grant the land use rights to other parties); and (ii) construction of all residential projects must commence within one year from the land delivery date specified in the relevant land allocation decisions or the land grant contracts, and must be completed within three years from the commencement date of the project. According to the "Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market" (Guo Tu Zi Fa [2010] No. 204) (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》(國土資發[2010]204號)) promulgated by the MLR on December 19, 2010, if a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contract or relevant laws or regulations, the developer will be disqualified from obtaining land in any government-run bidding process. Pursuant to the Guo Ban Fa [2013] No. 17 issued on February 26, 2013, with regard to any real estate development enterprises that violate laws and regulations such as having idle land, the relevant departments shall establish cooperative mechanisms, and investigate and impose appropriate penalties more strictly. Moreover the banking financial institutions shall not offer loans to such enterprises for their new projects, the securities regulatory departments shall suspend the approval of the listing, refinancing and restructuring of such enterprises, and the banking regulatory departments shall not allow such enterprises to obtain financing through trust plans.

We are subject to legal and business risks if our project companies fail to obtain or renew their qualification certificates.

All real estate developers in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. The "Provisions on Administration of Qualification Certificates of Real Estate Developers" (Order of Ministry of Construction No.77) (the "Provisions on Administration of Qualification") (《房地產開發企業資質管理規定》(建設部令第77號)) provide that a newly established developer must first apply for a temporary qualification certificate with a one-year term, which can be renewed for a maximum of a two-year period. After the two-year period, the developer must apply for a formal qualification certificate as set out in the Provisions on Administration of Qualification. All formal qualification certificates are subject to annual inspection. In reviewing an application to issue, grant or renew a qualification certificate, the relevant government authority considers the real estate developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or inappropriate operations.

Property developers in the PRC must also produce a valid qualification certificate when they apply for a pre-sale permit. If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, but continues to carry on real estate development, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of the date of this Offering Circular, some of our project companies have not yet obtained or renewed their qualification certificates. See "— Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments." We cannot assure you that the qualification certificates of any of our project companies will be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project or project management companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the "Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax" (《中華人民共和國土地增值稅暫行條例實施細則》) (the "LAT Implementation Rules"), all income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to the LAT, at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties (普通標準住房) if the appreciation does not exceed 20% of the total deductible items as defined in the relevant tax laws and regulations. Sales of high-end apartments, villas and holiday villas are not eligible for such exemption. On May 12, 2009, the SAT issued the "Administrative Rules on the Settlement of Land Appreciation Tax" (《土地增值稅清算管理規程》) effective as of June 1, 2009, which further clarifies the specific conditions and procedures for settlement of the LAT. On May 19, 2010, the State Administration of Taxation issued the "Circular on Issuers Concerning Settlement of Land Appreciation Tax" (《關於土地增值稅清算有關問題的通知》) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development. On May 25, 2010, the State Administration of Taxation issued the "Notice on Strengthening the Collection Land Appreciation Tax" (Guo Shui Fa [2010] No. 53) (《關於加強土地增值稅徵管工作的通知》(國稅發 [2010] 53號)), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties. On June 20, 2013, the State Administration of Taxation issued the "Circular on Further Improving the Collection and Administration of Land Appreciation" (Shui Zong Fa [2013]

No. 67) (《關於進一步做好土地增值税徵管工作的通知》(税總發[2013]67號)), which stipulates that local tax agencies shall settle the outstanding projects backlogged in recent years, improve efficiency, urge enterprises to conduct self-settlement within the allotted time, and enforce the consequences on those failing to conduct self-settlement.

We have estimated and made provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations. For the years ended December 31, 2011, 2012 and 2013, we made a net provision for LAT in the amount of RMB1,108 million, RMB1,519 million and RMB780 million, respectively. It is not certain as to when the PRC tax authorities will collect the amount of LAT in full. In the event that the LAT we have provided for is actually collected in full by the PRC tax authorities, our cash flow and financial position will be affected. Furthermore, in the event that LAT eventually collected by the PRC tax authorities exceeds the amount we have provided for, our net profits after tax will be adversely affected.

If our contract counterparties fail to comply with our contractual arrangements with them, our business will suffer and our financial condition may be materially and adversely affected.

We enter into a significant number of contracts in connection with our land acquisitions, including various land grant contracts. Once we enter into a contract in connection with our land acquisitions, we may be required to pay substantial amounts of money, although there may be a period of time before formal title to the land is transferred to us or land use rights certificates are delivered to us. If our contract counterparties fail to comply with our contractual arrangements with them or if the business conditions of our counterparties deteriorate, we may not be able to continue to enjoy our rights under the relevant contractual arrangements and our business will suffer and our financial condition may be materially and adversely affected.

We rely on external contractors for all of our property construction and are subject to risks relating to the performance of these contractors.

We do not maintain an in-house construction team. External contractors carry out construction of all of our real estate projects. These contractors are also responsible for procuring all necessary construction equipments and most of the basic construction materials, such as steel and concrete. Completion of our projects is, therefore, subject to the performance of these independent contractors. There can be no assurance that the services rendered by the independent third party contractors will be timely provided or be satisfactory to us or match the targeted quality level we require. If these services are not timely provided or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and we may have to bear such additional amounts. In addition, contractors may experience financial or other difficulties (including labor disputes with its employees) that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of our property developments or resulting in additional costs for us. Any of these factors could adversely affect our business, financial condition, results of operations and reputation.

Our operations may be adversely affected if any member of key management leaves.

We depend on the services provided by our management and other qualified and experienced staff. Competition for such talented employees is intense in the property development sector in the PRC. In case any core management team member leaves and we fail to find a suitable substitute, our business will be adversely impacted. Moreover, as our business continues to grow and we expand into other regional markets in the PRC, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and prospects will be negatively affected.

Our results of operations include fair value gain on investment properties, which are unrealized and our results may fluctuate due to revaluations resulting in further fair value gains or losses on investment properties.

We reassess the fair value of our investment properties at every reported balance sheet date. Our valuations are based on the market value for which the property could be exchanged between knowledgeable and willing parties in an arm's length transaction. Unrealized capital gains on our investment properties at the relevant balance sheet dates do not reflect profit generated from the sale or rental of our investment properties. Such fair value gains do not generate any actual cash inflow to us unless and until such investment properties are disposed of at similarly valued amounts. The amount of our fair value gains has been, and may continue to be, significantly affected by the prevailing property markets and may be subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control. There can be no assurance that we will continue to record similar levels of fair value gains or that the fair value of our investment properties will not decrease in the future. In the event that there is a material downward adjustment in our investment properties in the future, our results of operations and profits may be adversely affected.

***Our substantial shareholders may exert substantial influence over us and may take actions that are not in the best interest of the Noteholders*.**

China Life and Nan Fung are our two largest shareholders with 29.02% and 20.97% equity interests, respectively, in our Company as of December 31, 2013. See "Principal Shareholders". Accordingly, subject to our Articles of Association and the Hong Kong Companies Ordinance, China Life and Nan Fung, by virtue of their significant ownership of our share capital as well as their ability to designate representatives on our Board of Directors, are able to exercise significant control and exert significant influence over our business and other matters of significance to us. There can be no assurance that China Life or Nan Fung will not take actions that are not in the best interest of the Noteholders.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

We have conducted environmental impact assessments for most of our construction projects. Further, an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit additional environmental impact documents, issue orders to suspend the construction and/or impose penalties for any projects that have not, prior to the commencement of construction, received approval following the submission of the environmental impact assessment documents. We cannot assure that these investigations will reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. In the event that we are subjected to any regulatory action as a result of our failure to carry out such environmental impact assessments fully or at all, our reputation, business, financial condition and results of operations may be adversely affected.

Our ability to sell our properties is partly affected by our customers' ability to procure bank mortgages.

A significant number of our property purchasers rely on mortgages to fund their purchases. Without mortgage financing, some of our prospective customers would not be able to purchase our properties. There are a number of factors, which we cannot control, affecting the market for and availability of mortgages in China, and which could make it more difficult for us to pre-sell or sell our properties. These factors include the following:

- Increases in interest rates will increase the cost to our customers of funding property purchases through mortgages. The PBOC increased its benchmark lending rates two times in 2010 and three times in 2011. However, the PBOC decreased its benchmark lending rates two times in 2012 and the benchmark lending rate for loans with a term of over five years was decreased to 6.55% on July 6, 2012. According to media reports, since October 2011, several PRC commercial banks have tightened their loan policies for real estate by raising their lending rates. For example, a number of PRC domestic banks have raised the mortgage rates for first-time home buyers by a minimum of 5%. Any further increases in interest rates, including by the PBOC, will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties. Our cost of borrowing would also increase as a result of interest rate increases, which would, in turn, adversely affect our results of operations;

- The PRC government may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Since September 2010, the PRC government has increased the minimum amount of down payment to 30% of the purchase price for all first-time home buyers. Since January 2011, for second-time home buyers that use mortgage financing, the PRC government has increased the minimum down payment to 60% of the purchase price, and set the minimum mortgage loan interest rate for such purchases at 110% of the relevant benchmark lending interest rate. For commercial property buyers, banks are no longer allowed to finance the purchase of pre-sold properties. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, and the minimum mortgage loan interest rates for such purchases has been set at 110% of the relevant benchmark lending interest rate and maximum maturities of no more than 10 years. In addition, mortgage banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total monthly debt service of the individual borrower would exceed 55% of such individual's monthly income. For more information, see "Regulation — Property Financing"; and

- Any disruption to, or change in, the banking sector in China that affects our customers' ability to obtain mortgages could have an adverse effect on our liquidity and results of operations.

We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days of delivery of the property or within a timeframe set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes which typically takes one to two years. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for the relevant properties and apply for the general property ownership certificate in respect of these properties. We are then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any other reason beyond our control.

Disputes with joint venture partners may adversely affect our business.

We carry out some of our business through joint ventures with our PRC or foreign partners. Such joint venture arrangements involve a number of risks, including:

- disputes with joint venture partners in connection with the performance of their obligations under the relevant projects or joint venture agreements;

- disputes as to the scope of each party's responsibilities under these arrangements;

- financial difficulties encountered by a joint venture partner affecting its ability to perform its obligations under the joint venture agreements or other contracts with us; or

- conflicts between the policies or objectives adopted by the joint venture partners and those adopted by us.

Any of these and other factors may adversely affect our business, financial condition and results of operations and would divest resources and management's attention.

We face risks from our relationships with our substantial shareholders

As of December 31, 2013, China Life, our largest shareholder, owned 29.02% of our shares and Nan Fung, our second largest shareholder, owned 20.97% of our shares. We face risks relating to the shareholding of China Life and Nan Fung, including that China Life and Nan Fung will not provide financial and operational support to us and that they may sell their shareholdings. For example, COSCO Group, which held 16.85% of our shares as of June 30, 2010, disposed of its entire shareholding by December 21, 2010. There can be no assurance that similar disposals of our shares will not occur. If any of our substantial shareholders fail to provide the financial and operational support to us that they have indicated or if they sell down their shareholdings, our business financial condition, results of operations and prospects may be materially and adversely affected.

We may be required to bear resettlement costs associated with our property developments.

The land parcels we acquire in the future for development may have existing buildings or other structures or be occupied by third parties. On January 21, 2011, the State Council promulgated the "Regulation for the Expropriation and Compensation for Housing on State-owned Land" (《國有土地上房屋徵收與補償條例》 (國務院令第590號)) (the "Expropriation and Compensation Regulation") (Order of the State Council No. 590). The Expropriation and Compensation Regulation provides that, among other things: (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations; (ii) compensation should be paid before the resettlement; (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties should be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and (iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation operations. If the local government fails to reach an agreement regarding compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay the timetable of our projects. Such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, results of operations and financial condition.

We do not have insurance to cover potential losses and claims in our operations.

We do not maintain insurance for destruction of or damage to our property developments business whether they are under development or have been completed and are pending delivery, other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements. We also do not carry insurance against personal injuries that may occur during the construction of our property developments. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on work sites. Although we believe any such liability that may arise would be borne by third party construction companies, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages and liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial condition could be adversely affected.

We enter into arrangements with banks to facilitate the provision of mortgage facilities to purchasers of our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers until the earlier of (i) completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks and (ii) the settlement of mortgage loans between the bank and purchasers of our properties. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgage bank under the loan, the mortgage bank will assign to us its rights under the loan and the mortgage and we will have full recourse to the property. We have in the past experienced some defaults by our purchasers of their mortgage loans, but we have been able to recover almost all of the default payments from the relevant property owners shortly after the event of default and have not experienced any material cases of such defaults.

We do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. As at December 31, 2011, 2012 and 2013, our outstanding guarantees over the mortgage loans of our customers amounted to approximately RMB3,159 million, RMB3,837 million and RMB5,733 million, respectively.

If a significant number of purchasers default on their mortgages and our guarantees are called upon, our results of operations and financial condition could be adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the purchaser or that we cannot sell such properties due to unfavorable market conditions or other reasons.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to adverse changes in the performance of our properties.

As investment properties are in general relatively illiquid, our ability to promptly sell them in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to close a sale in respect of an investment property.

Should we decide to sell a property subject to a management agreement or tenancy agreement, we may have to obtain consent from, or pay termination fees to, our management partners or our anchor retail tenants.

In addition, investment properties are not readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property can be sold. We cannot assure you that we will have funds available for these purposes. These factors and any other factors that would impede our ability to respond to adverse changes in the performance of our investment properties could affect our ability to retain tenants and to compete with other market participants, as well as affecting our results of operations.

Risks Relating to Property Development in the PRC

There is a lack of reliable and updated information on property market conditions in the PRC

We are subject to property market conditions in the PRC generally and, in particular, in Beijing, the Pan-Bohai Rim and Pearl River Delta regions, and the other areas in which we operate. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed and the availability of land and buildings suitable for development and investment is not generally available in the PRC. Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, financial condition and results of operations.

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations.

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China, in the early 1990s, culminated in an oversupply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces have experienced rapid and significant growth. In recent years, however, risk of property oversupply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived oversupply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of oversupply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions.

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites and pace of development, as well as the sale of properties. This cyclicality, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property market in China.

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, from 2004 to March 2013 the PRC government exerted considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment (excluding affordable housing projects);
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of no more than 90 square meters and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and cities specifically designated in the state plan (計劃單列市) may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- requiring any first-time home buyer to pay a minimum amount of down-payment of 30% of the purchase price of the underlying property;

- requiring any second-time home buyer to pay an increased minimum amount of downpayment of 60% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate of no less than 110% of the relevant PBOC benchmark lending interest rate;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- imposing more restrictions on the types of property developments that foreign investments may engage in;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing the ratio of registered capital to total investment amount and other requirements for establishing foreign invested real estate enterprises (FIREEs), tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- Raising the benchmark one-year lending rate published by PBOC for the year ended December 31, 2010 to 5.81% and to 6.56% in July 7, 2011;
- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC depositary financial institutions nine times in 2011 and 2012, with the current ratio of 20% effective as of May 18, 2012 excluding rural commercial banks and rural cooperative banks which are subject to a different Renminbi deposit reserve requirement ratio;
- non-residents who own one or more residential properties and are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more are prohibited from purchasing any residential properties located in the administrative area; and
- strictly enforcing a 20% tax on home sale profits.

We cannot assure you that the PRC government will not change or modify these temporary measures in the future. For more information on the various restrictive measures taken by the PRC government, you should refer to the section entitled "Regulation — Measures on adjusting the structure of housing supply and stabilizing housing price." These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

Property development in the PRC is still at an early stage and lacks adequate infrastructural support.

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of an effective liquid secondary market for residential property may discourage investors from acquiring new properties because re-sale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals compounded by the lack of security of legal title and enforceability of property rights may further inhibit demand for residential developments.

In addition, risk of property oversupply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived oversupply, property prices may fall significantly and our revenue and results of operations will be adversely affected.

The non-compliant GFA of some of our completed property developments may be subject to governmental approval and additional payments.

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorized by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we will not be allowed to deliver the properties or recognize any revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the PRC

Economic, political and social conditions in the PRC as well as government policies could affect our business.

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to:

- political structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. However, since early 2004, the PRC government has implemented certain measures in order to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties, and may have an adverse impact on economic growth in the PRC. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected.

In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval or examination before they can convert Renminbi into foreign currency and remit them out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies, including the Notes. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to make payments under the Notes.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

Pursuant to the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles" (Hui Fa [2005] No.75) ("Circular No. 75") (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(匯發[2005]75)), issued on October 21, 2005, (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a special purpose vehicle, or engages in overseas financing after contributing assets or equity interests into a special purpose vehicle, such PRC resident shall register his or her interest in the special purpose vehicle and the change thereof with the local branch of SAFE; and (iii) when the special purpose vehicle undergoes a material event outside China, such as change in share capital, merger, investment with long-term stock rights or credits, or a provision of a guarantee to another person, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. On July 4, 2014, SAFE issued the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Investment Overseas and Inbound Investment via Special Purpose Vehicles" (Hui Fa [2014] No.37) ("Circular No. 37") (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37)), which repealed the Circular No. 75. Pursuant to the Circular No. 37, (i) "Special Purpose Vehicles" (the "SPV") stipulated in Circular No. 37 is defined as an offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institutions and domestic resident individuals) for the purpose of financing or investment using the assets or equity interests in domestic enterprises they legally hold or the assets or equity interests they legally hold overseas;(ii) "Round-trip Investment" stipulated in Circular No. 37 is defined as direct investment activities carried out in PRC by domestic residents via SPVs directly or indirectly, i.e. establish a foreign-invested enterprise or project (hereafter referred to as "foreign-invested enterprise") by such means as new establishment, acquisition etc., and obtain the interest such as ownership, right of control, right of management and operation of the foreign-invested enterprise, etc.;(iii) prior to making capital contributions to a SPV with assets or equity interests legally hold in PRC or abroad, a domestic resident shall go through the procedures for registration of offshore investment with SAFE or a local branch of SAFE (the "Foreign Exchange Bureau"), and the domestic resident cannot conduct the follow-up matters until the offshore investment registration has completed;(iv) after a registered offshore SPV becomes the subject of basic information changes such as changes in domestic resident individual shareholders, name, term of operation or material changes such as capital increase, capital reduction, equity transfer, equity swap involving domestic resident individuals, or merger, division, a domestic resident shall timely go through the procedures for amendment registration of the offshore investment with Foreign Exchange Bureau, and the domestic resident cannot conduct the follow-up matters (including the repatriation of profits and dividends) until the amendment registration of offshore investment has completed;(v) when unlisted SPV carries out equity interests incentive plans with its shares or share options etc. for directors, supervisors, senior management and other employees who were employed by or have labor relationship with domestic enterprise directly or indirectly controlled by the SPV, related domestic resident individuals can go through the procedures for registration of SPV with Foreign Exchange Bureau before exercising their option or other rights; (vi) domestic enterprise directly or indirectly controlled by domestic resident can make loans to registered SPV in accordance with current laws and regulations if there is real and reasonable demand;(vii) domestic resident can convert Renminbi into foreign currency and remit them out of China for the purpose of the establishment, stock buyback and delisting of SPV etc. if there is real and reasonable demand. Under Circular No. 75 and Circular No. 37, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the special purpose vehicle. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on distributions we pay on the Notes.

Under PRC tax laws effective prior to January 1, 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the Enterprise Income Tax Law (《企業所得稅法》) ("EIT Law") and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

We hold our shareholders' meetings and board meetings outside China and keep our shareholders' list outside China. However, most of our directors ("Directors") and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities in determining whether we are PRC resident enterprises for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT Law purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would then be obligated to withhold PRC income tax of up to 7% on payments of distributions and certain other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the payments would be regarded as being derived from sources within the PRC. In addition, if we were to fail to do so, we would be subject to fines and other penalties. Further, any gain realized by a non-resident enterprise investor from the transfer of the Notes would be regarded as being derived from sources within the PRC and, accordingly, would then be subject to a 10% PRC withholding tax.

Fluctuations in the value of the Renminbi may have a material adverse effect on our business.

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, RMB-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. On June 19, 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 28.8% from July 21, 2005 to December 31, 2011, according to rates published by Bloomberg. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under such agreements, and the amount of collateral required may increase as a result of mark- to-market adjustments. If we were unable to provide such collateral, it could constitute a default under such agreements.

Uncertainty with respect to the PRC legal system could adversely affect us.

As all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Notes. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (HIN1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may materially and adversely affect our financial condition and results of operations.

Risks Relating to the Guarantee and the Notes

An affiliate of our largest shareholder has subscribed for a substantial portion of the 2024 Notes and it or its affiliates may purchase additional 2024 Notes in the secondary market. This substantial holding may adversely affect the other holders of the 2024 Notes.

China Life Trustees Limited, an affiliate of our largest shareholder, China Life, has subscribed (on the same terms as the other investors) for an aggregate principal amount of US$300,000,000 of the 2024 Notes which have an aggregate principal amount of US$700,000,000, or 42.86% of the 2024 Notes, and, with such holding, will be able to exercise substantial rights and powers on its own under the Conditions and Trust Deed with respect to the 2024 Notes. Furthermore, China Life Trustees Limited (and its affiliates) may purchase additional 2024 Notes in the secondary trading market.

A holder of a significant percentage of the 2024 Notes is able to exercise certain rights and powers and will have significant influence on matters voted on by Noteholders. For example, a holder of more than 25% of the aggregate principal amount of the 2024 Notes may, subject to the provisions of the Trust Deed, block Extraordinary Resolutions. Furthermore, holders of a majority of the aggregate principal amount of the 2024 Notes may exercise certain rights and powers under the Conditions and Trust Deed which are binding on all holders of the 2024 Notes. For example, Events of Default or non-compliance with any provision of the Conditions or the Trust Deed may be waived by an Extraordinary Resolution for which two or more persons holding a majority of the aggregate principal amount of the outstanding 2024 Notes can constitute a quorum, subject, in each case, to certain exceptions in connection with the reserved matters set forth in the Trust Deed. Moreover, holders of at least 66% (and, at adjourned meetings, 33%) of the aggregate principal amount of the 2024 Notes may vote on reserved matters, including the reduction or cancellation of the 2024 Notes and the reduction or variation of the interest rate of the 2024 Notes, which decision will be binding on all holders of the 2024 Notes.

The interests of China Life Trustees Limited and China Life may be different from the interests of the other holders of the 2024 Notes and the substantial portion of the 2024 Notes to be held by China Life Trustees Limited may reduce the liquidity of the 2024 Notes. There can be no assurance that the other holders of the 2024 Notes will not be materially and adversely affected by China Life Trustees Limited and its affiliates holding a substantial portion of the 2024 Notes.

The Guarantor's obligations under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries.

The Issuer was established by the Guarantor specifically for the purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to the Guarantor, which may in turn on-lend to other members of the Group. The Issuer does not and will not have any assets other than such loan and its ability to make payments under the Notes will depend on its receipt of timely payments from the Guarantor under such loan arrangement.

The Guarantor is a holding company and, accordingly, payments under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer). Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the Notes seeking to enforce the Guarantee. The Guarantor's obligations under the Guarantee will not be guaranteed by any of its subsidiaries. The Notes do not contain any restrictions on the ability of the Guarantor's subsidiaries (other than the Issuer) to incur additional unsecured indebtedness.

The Guarantor's ability to make payments on the Guarantee depends upon receipt of distributions from its subsidiaries and joint ventures.

The Guarantor is primarily a holding company and its ability to make payments under the Guarantee and to make payments to the Issuer under the loan arrangement to fund payments on the Notes depends upon the receipt of dividends, distributions, interest or advances from its wholly-owned or partly-owned subsidiaries and joint ventures. The ability of the subsidiaries and joint ventures of the Guarantor to pay dividends may be subject to applicable laws and regulations. The outstanding indebtedness of the subsidiaries of the Guarantor may contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantor's subsidiaries in the PRC may be unable to obtain and remit foreign exchange.

The ability of the Guarantor's PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends may affect the Guarantor's ability to satisfy its obligations under the Guarantee. The Guarantor's subsidiaries in the PRC must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan the Group makes to its PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 7 per cent. withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay the Guarantor dividends or interest and principal on shareholder loans, which may affect the Guarantor's ability to satisfy its obligations under the Guarantee.

An active trading market for the Notes may not develop.

There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Stabilizing Manager is not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time. Although application will be made for the listing of the Notes on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Notes. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

There may be less publicly available information about the Guarantor than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong, such as the Guarantor, than is regularly made available by public companies in certain other countries. In addition, the Guarantor's historical financial information in this Offering Circular has been extracted from its financial statements prepared in accordance with HKFRS, which differ in certain respects from IFRS and generally accepted accounting principles in other jurisdictions ("GAAPs") which might be material to the financial information contained in this Offering Circular. In making an investment decision, investors must rely upon their own examination of the Guarantor, the terms of the offering and the Guarantor's financial information, and should consult their own professional advisers for an understanding of the differences between HKFRS and IFRS or between HKFRS and other GAAPs and how those differences might affect the financial information contained in this Offering Circular.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes are expected to be assigned a rating of "Baa3" by Moody's, "BBB-" by S&P and "BBB-" by Fitch. The ratings address the Issuer's and the Guarantor's ability to perform their respective obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Guarantor has any obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

The Guarantor may not be able to raise the funds necessary to finance the purchase of Notes upon occurrence of a Put Event at the option of the holder.

Following the occurrence of a change of control, Noteholders may require the Issuer to redeem their Notes. see "Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption for Put Event". The source of funds for any such redemption would be the Group's available cash or third-party financing. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds at that time to make the required redemption of the Notes. In addition, agreements to which the Guarantor is a party at that time may restrict or prohibit such a payment.

Developments in the international financial markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility, most recently in response to investor concerns over credit availability, liquidity and default risk for several European countries. If such developments are not adequately addressed and investor confidence worsens, volatility in the international financial markets may increase in the future, and the market price of the Notes could be adversely affected.

The Trustee may request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including giving of notice to the Issuer pursuant to Condition 9 of the Terms and Conditions of the Notes and the taking of enforcement steps pursuant to Condition 18 of the Terms and Conditions of the Notes, the Trustee may at its discretion request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and/or the Notes or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Notes including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individuals.

The insolvency laws of British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notess are familiar

As the Issuer and the Guarantor are incorporated under the laws of British Virgin Islands and Hong Kong, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$1,181,000,000 million, after deducting fees, commissions and expenses payable in connection with this offering.

We intend to use the net proceeds to repay existing indebtedness and for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and circumstances. In such an event, we will carefully evaluate the situation and reallocate the use of the net proceeds as seems prudent.

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. Since then and up to December 31, 2009, the Renminbi has appreciated approximately 21.3% against the U.S. dollar. After the introduction of the managed floating exchange rate system, the PRC government has made and may in the future make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC.

On June 19, 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced by the PBOC, and the PBOC will place more emphasis to reflecting the market supply and demand with reference to a basket of currencies. On April 12, 2012, the PBOC announced that effective on April 16, 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be increased from 0.5% to 1.0% around the central parity rate. On March 17, 2014, the PBOC announced that effective on the same day, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be further increased from 1.0% to 2.0% around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0% above or below the central parity rate published by the PBOC. The PRC government may make further adjustments to the exchange rate system in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi as certified for customs purposes by Federal Reserve Bank of New York for period ends indicated through December 2008 and the H.10 weekly statistical release of the Federal Reserve Board for period ends indicated from and after January 2009.

	Noon Buying Rate			
Period	**Period End**	**Average[1]**	**High**	**Low**
		(RMB Per US$1.00)		
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014				
January	6.0590	6.0509	6.0600	6.0402
February	6.1448	6.0816	6.1448	6.0591
March	6.2164	6.1729	6.2273	6.2108
April	6.2591	6.2246	6.2591	6.1966
May	6.2471	6.2380	6.2591	6.2255
June	6.2036	6.2306	6.2548	6.2036

(1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

Hong Kong

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the ''Basic Law''), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.80 to US$1.00 or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in HK dollars as certified for customs purposes by Federal Reserve Bank of New York for period ends indicated through December 2013 and the H.10 weekly statistical release of the Federal Reserve Board for period ends indicated from and after January 2014.

	Noon Buying Rate			
Period	**Period End**	**Average**[1]	**High**	**Low**
	(HK$ Per US$1.00)			
2006	7.7771	7.7685	7.7928	7.7506
2007	7.7984	7.8008	7.8289	7.7497
2008	7.7499	7.7814	7.8159	7.7497
2009	7.7536	7.7513	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7501
2011	7.7663	7.7841	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7439
2013	7.7539	7.7565	7.7654	7.7503
2014				
January	7.7642	7.7577	7.7663	7.7534
February	7.7608	7.7585	7.7645	7.7547
March	7.7567	7.7612	7.7669	7.7563
April	7.7527	7.7540	7.7568	7.7517
May	7.7523	7.7523	7.7535	7.7514
June	7.7502	7.7516	7.7537	7.7502

(1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalization and indebtedness of the Company as at December 31, 2013 (and as adjusted to give effect to the issuance of the Notes as if they were in issue on December 31, 2013):

	As of December 31, 2013			
	Actual		As adjusted	
	RMB	US$(1)	RMB	US$(1)
	(in millions)			
Current debt				
Current portion of long-term bank borrowings	7,746	1,280	7,746	1,280
Current portion of long-term other borrowings	400	66	400	66
Short-term bank borrowings	3,779	624	3,779	624
Short-term other borrowings	914	151	914	151
Total current debt	12,839	2,121	12,839	2,121
Non-current debt				
Bank borrowings	17,323	2,862	17,323	2,862
Other borrowings	5,132	848	5,132	848
2019 Notes to be issued	—	—	3,027	500
2024 Notes to be issued	—	—	4,238	700
Total non-current debt	22,456	3,709	29,724	4,910
Total borrowings(2)	35,295	5,830	42,564	7,031
Equity				
Share capital and premium	26,079	4,308	26,079	4,308
Shares held for Restricted Share Award Scheme	(79)	(13)	(79)	(13)
Reserves	166	27	166	27
Retained earnings				
— Proposed final dividend	920	152	920	152
— Others	10,438	1,724	10,438	1,724
	37,525	6,199	37,525	6,199
Capital securities	2,533	418	2,533	418
	40,058	6,617	40,058	6,617
Non-controlling interests	3,387	559	3,387	559
Total equity	43,445	7,177	43,445	7,177
Total capitalization(3)	78,740	13,007	86,009	14,208

Notes:

(1) All translations from RMB into U.S. dollars, and vice versa, were made at the rate of RMB6.0537 to US$1.00, which was the noon buying rate as certified for custom purposes by the H. 10 weekly statistical release of the Federal Reserve Board for cable transfers for Renminbi on December 31, 2013.

(2) Total borrowings have increased since December 31, 2013 due to increased borrowings associated with property development activity.

(3) Total capitalization equals the sum of total borrowings and equity. Other than as disclosed herein, there has been no material change in the capitalization of the Company since December 31, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements together with their accompanying notes included or incorporated by reference in this Offering Circular. Our consolidated financial statements were prepared in accordance with HKFRS, which differs in certain material respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions.

This section includes forward-looking statements that involve risks and uncertainties. Other than statements of historical facts, all statements included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience, together with our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.

Unless the context otherwise requires, references to "2011", "2012" and "2013" in this Offering Circular are to our financial years ended December 31, 2011, 2012 and 2013, respectively. References to "associate" or "associates" in this section are to associates as defined in HKFRS.

Overview

We are a leading large-scale national property developer with developments in key economic regions in the PRC, including Beijing, the Pan-Bohai Rim, the Yangtze River Delta and the Pearl River Delta. We focus on developing mid- to high-end residential properties, high-end office buildings and retail spaces and selectively expanding our investment property portfolio. Attributable to our focus on quality products and professional services, we have built "Sino-Ocean" ("遠洋地產") into a strong national brand. We believe we are among the top 10 listed PRC real estate developers by total assets and net assets, based on reported total assets and net assets of listed PRC real estate companies in the fiscal year 2013.

We had 58 projects in various stages of development as of December 31, 2013 in high-growth cities across the PRC. Our core markets include Beijing, Tianjin, Dalian, Shanghai, Shenzhen and Zhongshan. As of December 31, 2013, our total land bank included a total planned GFA of approximately 21.35 million sq.m in the PRC. We started expanding our focus on investment properties in recent years and had seven completed investment properties by December 31, 2013 with a leasable area of approximately 521,000 sq.m.

China Life is our single largest shareholder and held 29.02% of our shares as of December 31, 2013. Nan Fung is our second largest shareholder and held 20.97% of our shares as of the same date. China Life has provided a letter of support and a non-binding equity purchase undertaking, while Nan Fung has provided a letter of support. China Life and Nan Fung participate in the management of our Company and have appointed directors to our Board of Directors. We also have project-level collaborations with China Life and Nan Fung. Please refer to the section headed "Relationship with Principal Shareholders" for more details.

For the three years ended December 31, 2011, 2012 and 2013, our contracted sales amounted to RMB27,005 million, RMB31,119 million and RMB35,818 million, respectively. For those same years, our revenue was RMB19,897 million, RMB28,658 million and RMB31,099 million, respectively, and revenue from property development accounted for approximately 89%, 91% and 91% of our revenue, respectively. Profit for the year was RMB2,621 million, RMB3,987 million and RMB4,661 million, respectively.

Basis of Preparation

Our consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 included in this offering circular have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, and derivative financial instruments which are carried at fair value.

Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, such as U.S. GAAP.

Recent Developments

US$800 Million Facility Agreement

On June 24, 2014, we entered into a facility agreement pursuant to which a syndicate of banks granted us three-year term loan facilities with a total principal amount of US$800 million, with facilities in both Hong Kong dollars and U.S. dollars. We intend to use the net proceeds from the loan to refinance amounts outstanding under our term loan facilities agreement entered into in 2012 and to finance our general working capital requirements. Events of default under the facility agreement is for China Life and Nan Fung to, in aggregate, hold less than 30% of our shareholding or where neither one of them is our largest shareholder.

Newly-acquired Land Parcels

Since December 31, 2013, we have acquired seven parcels of land which are located in Beijing, Tianjin, Wuhan and Zhongshan. The total planned GFA for the relevant projects is 1,889,000 sq.m. and the total land grant consideration for the parcels is RMB8,605 million.

Financing of Our Projects

We finance our projects primarily through bank loans, internally generated cash flows, including proceeds from the pre-sale and sale of our projects and through capital raising transactions. The following summarizes our main sources of funds for financing our projects:

- ***Bank loans***. As at December 31, 2013, we had RMB28,849 million in total bank loans outstanding. Most of our bank loans are project-specific and are borrowed onshore to fund construction prior to the relevant projects reaching the pre-sale stage. Once we start to pre-sell the projects, we typically gradually repay such bank loans using the pre-sale proceeds received. We are often required to secure our onshore bank loans with properties under development, investment properties or other assets.
- ***Proceeds from the pre-sale and sale of properties***. We conduct the sale of our properties primarily by way of pre-sale. Pre-sale proceeds are the sales proceeds we receive when we sell properties prior to their completion. Pre-sale proceeds of one phase of a project or one project can be used to fund further construction of the same phase or project. Upon obtaining a pre-sale permit from the relevant government authorities, we enter into pre-sale contracts with our customers. For purchasers who finance their purchases with mortgage financing, we generally require a minimum down payment of 40% to 50% of the purchase price for commercial property and 20% to 50% of the purchase price for residential property at the execution of the pre-sale contract. If the purchaser has entered into a mortgage agreement, we receive the remaining purchase price from the relevant bank when the relevant property is topped out or completed, which may be up to one to two years after the execution of the pre-sale contract. We are normally required to deposit a portion of the down payment, which typically represents less than 2% of the amount of the mortgage, with a bank providing mortgage, as security for our guarantee of our purchaser's mortgage. The deposit is typically released when the purchaser obtains the property certificate and pledges it to the bank, which generally occurs one to two years after completion of construction of the project. For purchasers who do not require mortgage financing, we generally require between 30% and 50% of the purchase price to be paid upon execution of the pre-sale contract, and we receive the remaining purchase price in accordance with the agreed timeframe stipulated in the pre-sale contract, which is typically within 20 days from the signing of the contract. In addition to proceeds from the pre-sale of properties, we also generate proceeds from the sale of completed properties.

- ***Capital raising transactions***. In 2011, we issued US$400 million perpetual subordinated capital securities callable in 2016. In 2012, we entered into an agreement for term loan facilities with an aggregate principal amount of US$600 million. In 2013, we entered into agreements for term loan facilities with aggregate principal amounts of US$410 million and US$175 million. In June 2014, we entered into an agreement for term loan facilities with an aggregate principal amount of US$800 million.

In the future, we expect to use funds from a combination of sources to fund new projects, including bank loans, internally generated cash flow and proceeds raised from the capital markets from time to time (including from this offering). Our access to funds may be affected by various factors, including the factors discussed under "Risk Factors" and "Management's Discussion and Analysis — Factors Affecting Our Results of Operations".

Factors Affecting Our Results of Operations

Costs and procedures for acquiring suitable land

As a property developer, we depend to a large extent on our ability to secure suitable land for development at affordable prices. A key component of our cost of sales is land acquisition costs, which comprise primarily land premiums, the cost of demolition of existing buildings and the relocation of existing residents. Land premium is the payment to the land bureau for the right to occupy, use and develop a particular parcel of land, the amount of which is determined by the government, taking into consideration factors including floor area, the location of and competition for the relevant land. The cost of demolition and relocation generally represents the compensation we pay to the original residents and the expenses to clean up the site. The PRC government has provided some basic principles for determining the appropriate level of demolition cost and resettlement compensation. However, the actual demolition cost and resettlement compensation varies from site to site and is subject to negotiations between the developers and the original residents. In many instances, pursuant to the land grant contract, the government takes responsibility for completing the demolition of original structures and the resettlement of the original residents on the land but requires us to pay an agreed amount to cover demolition and resettlement costs. In respect of the primary land development, we are responsible for the demolition and relocation.

In recent years, the acquisition costs of land have risen as a result of high demand for properties due to the growth of the PRC economy. In addition, in order to increase the transparency of the system for granting state-owned land, since 2002 the PRC government has operated under regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes, including public tenders, public auctions or listing at land exchanges administered by local governments. These competitive processes have significantly intensified competition among developers for available land and have thereby increased land acquisition costs. Typically, in order to participate in one of these competitive processes, we are required to pay deposits upfront, the amounts of which typically represent a substantial portion of the actual cost of the relevant land. This has accelerated the timing of our payment of land acquisition costs, which, in turn, has had a significant impact on our cash flow. Often the government has already completed various procedures in connection with primary land development for the relevant land before commencing the tendering, auction or listing process. As a result, once we acquire the land, it is often already in a state ready for secondary land development. In such cases, we are typically able to commence construction and pre-sale within a shorter timeframe.

Construction costs

Another key component of our cost of sales is construction costs, which encompass all costs for the design and construction of a project, including payments to independent contractors and costs of the raw materials that we procure directly. Construction costs of our projects vary according to the floor area and height of the buildings as well as the geology of the construction site. Historically, construction material costs have been the principal driver of construction costs of our property developments, in part because the cost of independent contractors has been relatively stable. Construction costs may fluctuate as a result of changes in prices of construction materials such as steel and cement. For a substantial portion of our procurement of construction materials, we use a centralized procurement process to increase our negotiating power and lower our unit costs of construction materials. We also outsource some procurement of construction materials to our construction contractors and include the cost of such procurement at a capped amount in construction contracts. Through so doing, we can partially pass the risk of price fluctuations on to contractors. Despite these measures, we remain subject to long-term movements in the prices of construction materials. Our profitability may suffer if we cannot pass on any increased costs to our customers. Further, we typically pre-sell our properties prior to their completion, and, if our costs increase subsequent to the pre-sale, we may not be able to pass them on to our customers.

Fluctuation of results of operations

Our results of operations tend to fluctuate from period to period. According to our accounting policy for revenue recognition, we recognize revenue from the sale and pre-sale of our properties upon delivery, which normally takes place one to two years after the commencement of pre-sales. See "Management's Discussion and Analysis — Critical Accounting Policies — Revenue recognition". Because the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue if, for example, the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs, as well as limited supply of land.

In addition, seasonal variations have caused fluctuations in our revenues and profits, including our quarterly and semiannual results. A substantial portion of our operations are in northern China, where the climate in winter is often not suitable for construction work. When possible, we typically seek to complete construction and deliver most of our properties before November and the onset of winter. As a result, we have typically recognized substantially more revenue in the second half of the year than in the first half, and our interim results typically are not representative of our annual results.

Performance of the PRC real estate market particularly in the Pan-Bohai Rim (including Beijing)

Our entire revenue was generated from operations in China during the three years ended December 31, 2011, 2012 and 2013. In particular, our business has been concentrated in Beijing, while we have also expanded into other major cities in China including Tianjin, Shenyang, Changchun, Fushun, Dalian, Zhongshan, Hangzhou, Chengdu, Chongqing, Shanghai, Wuhan, Zhenjiang, Huangshan, Qingdao, Qinhuangdao, Haihou, Shenzhen and Sanya. Macroeconomic factors in China and the performance of the property market in China, and, in particular, in the cities in which we have development projects, therefore directly impact our results of operations. The performance of the real estate market in China is affected by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of the upper and the middle class, the level of interest rates, the exchange rate of the Renminbi and the political, economic and regulatory environment in the PRC. Should the property markets in Beijing, Tianjin, Dalian, Zhongshan, Shenyang and other cities in which we operate experience any significant downturn, our results of operations would be adversely affected. See "Risk Factors — Risks Relating our Business — We are dependent on the performance of the PRC property sector, particularly in Beijing and the Pan-Bohai Rim".

PRC government control and policies

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, in particular in Beijing and the Pan-Bohai Rim, including policies relating to:

- inflation;
- land acquisition;
- pre-sales;
- the availability of mortgage financing;
- the availability of capital through loans or other sources;
- sales or other transfers of land use rights and completed properties;

- taxes;
- planning and zoning; and
- building design and construction.

For example, the regulations that require government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes have had a material impact on our operations. See “Management’s Discussion and Analysis — Factors Affecting Our Results of Operations — Costs and procedures for acquiring suitable land”. In recent years the PRC government and Beijing local government have instituted a variety of measures designed to stabilize the real estate market, with particular focus on the residential sector. These policies may lead to changes in market conditions, including price stability and the balance of supply and demand in respect of residential properties. These measures have had an impact on the property market in Beijing, including particularly the residential property sector. See “Regulation”. We would be directly impacted by any regulations or measures adopted by the PBOC that restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that restrict the ability of purchasers to obtain mortgages or that increase the costs of mortgage financing may decrease demand for our properties and adversely affect our revenue. See “Risk Factors — Risk Relating to Our Business — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property markets in China”.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in property in China, irrespective of whether investors are corporate entities or individuals. We estimate and make provisions for the full amount of the applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by local tax authorities. Our provisions for LAT expenses for each of the years ended December 31, 2011, 2012 and 2013 were RMB1,108 million, RMB1,519 million and RMB780 million, respectively. We are required to prepay a portion of LAT equal to a specified percentage of our pre-sales proceeds set by local tax authorities that is generally assessed at a rate of no more than 5%. See “Risk Factors — Risk Relating to Our Business — The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations”.

Changes in product mix

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Historically, our low-density units, higher-end apartment units and retails shops have commanded higher average selling prices per square meter and gross margins than our mid-range apartment units. In addition, average selling prices and gross profit margins have typically been lower for developments outside of Beijing. Projects outside of Beijing and, in particular, in Tier 2 and Tier 3 cities, generally must sell more total GFA to achieve the same level of revenue as those in Beijing. Gross profit margins are typically lower in early phases and higher in later phases of our projects. Our product mix varies from period to period for a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time and time our project launches according to our development plans.

Critical Accounting Policies

We have identified certain accounting policies that are significant in the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to our audited consolidated financial statements for the year ended December 31, 2013 included in this Offering Circular. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements. In addition, we discuss our revenue recognition policy below because of its significance even though it does not involve significant estimates or judgments.

Revenue recognition

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

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

(a) Sale of properties

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

(b) Rental income

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

(c) Revenue from upfitting and construction contracts

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

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

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

(d) Property management and agency fee income

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

(e) Interest income

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

(f) Dividend income

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

Valuation of our investment properties

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

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

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

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

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

We had fair value gains on investment properties (before tax and non-controlling interest) of RMB513 million, RMB1,535 million and RMB808 million in the years ended December 31, 2011, 2012 and 2013, respectively.

Current and deferred income tax

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

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

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

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

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

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

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.

We were subject to PRC Enterprise Income Tax at a rate of 25% of taxable income during the three years ended December 31, 2011, 2012 and 2013. We did not generate any income subject to Hong Kong income tax during the three years ended December 31, 2011, 2012 and 2013.

LAT

LAT provisions as part of income tax represent provisions for the estimated LAT payable in relation to our properties delivered during a period. See "Management's Discussion and Analysis — Factors Affecting Our Results of Operations — LAT" for a description on the PRC regulations in relation to LAT and our provisions for LAT in the years ended December 31, 2011, 2012 and 2013.

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

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

Description of Certain Financial Statement Items

The following summarizes components of certain line items appearing in the consolidated financial statements included in this Offering Circular, which we believe to be helpful to an understanding of the period-to-period discussion that follows below.

Income statement items

Revenue

Our revenue consists primarily of proceeds from our property development business, including the sale of properties and the rental of our properties held for sale. We also generate a small portion of revenue from the lease of our investment properties, our hotel operations, and the provision of property management services, which together accounted for approximately 11%, 9% and 9% of our revenue in 2011, 2012 and 2013, respectively. Our revenue is presented before business tax.

The table below sets forth our revenue by business segment for the years ended December 31, 2011, 2012 and 2013:

	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2013
	Total Revenue	Total Revenue	Total Revenue
	(RMB)	(RMB)	(RMB)
		(in millions)	
Property development	17,618	26,053	28,146
Property investment	340	414	550
Property management	377	453	591
Other real estate related businesses	1,562	1,738	1,812
Total revenue	19,897	28,658	31,099

The table below compares contributions to our revenue from property development (excluding car parks) by geographic location in percentages for the years ended December 31, 2011, 2012 and 2013:

	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2013
	Percentage	Percentage	Percentage
Beijing	44%	39%	24%
Pan-Bohai Rim	33%	45%	31%
Yangtze River Delta	0%	1%	21%
Pearl River Delta	13%	10%	9%
Other Regions	10%	5%	15%
Revenue from property development (excluding car parks)	100%	100%	100%

Cost of sales

Our cost of sales includes primarily the cost of properties sold, as well as direct costs relating to our property investment, hotel operation, property management, property sales agency and related services, including staff costs, business tax and levies, advertising and marketing expenses, depreciation and amortization, office expenses, and others. Cost of properties sold comprises costs of land, construction costs and capitalized interest expenses.

Other income

Our other income primarily consists of interest income and dividend income from available-for-sale financial assets.

Other gains/(losses) — net

Our other gains/(losses) consist of gains on disposals or deemed disposals of subsidiaries, losses on disposal of property, plant and equipment, and exchange gains/(losses).

Fair value gain on investment properties

See “Management’s Discussion and Analysis — Critical Accounting Policies — Valuation of our investment properties”.

Selling and marketing expenses

Our selling and marketing expenses include primarily advertising and promotion costs and employee benefit expenses for marketing staff.

Administrative expenses

Our administrative expenses include primarily employee benefit expenses for administrative staff, office expenditures, depreciation and amortization, professional and consultancy fees.

Finance costs

Our finance costs include interest expenses on borrowings less capitalized interest expenses.

Income tax expense

Our taxation includes provisions for PRC Enterprise Income Tax for each of our subsidiaries in the PRC, based on the statutory rate as determined in accordance with the relevant income tax rules and regulations of the PRC. Effective from January 1, 2008, the statutory tax rate applicable to us has been 25% of taxable income.

The current Hong Kong profits tax rate that would be applicable to us had we generated any income in Hong Kong is 16.5%.

Income tax expense also includes LAT. Under the PRC laws and regulations, our PRC subsidiaries engaging in property development business are subject to LAT, determined by the local tax authorities in the cities in which each project is located. All income from the sales or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items, as defined in the relevant tax laws.

Balance sheet items

Trade and other receivables

Trade and other receivables include trade receivables, tax prepayments, other receivables, prepayments and loans to various related parties. Trade receivables as at December 31, 2010 primarily consisted of property management fees receivable in connection with the property management service that we provided.

Included in tax prepayment as at December 31, 2011, 2012 and 2013 were primarily business tax levied and prepaid at 5% of pre-sale proceeds, and a portion of income tax prepaid on a certain percentage of pre-sale proceeds, both in compliance with relevant tax laws and regulations.

We also prepay LAT that is generally assessed at no more than 5% of pre-sale proceeds in compliance with relevant laws and regulations.

Advanced proceeds received from customers

Advanced proceeds received from customers represent proceeds received on property unit sales that have not been recognized as revenue in accordance with our revenue recognition policy.

Goodwill

As at December 31, 2011, 2012 and 2013, goodwill mainly included the goodwill arising from the acquisition of project companies. Management is required to test goodwill annually for impairment. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management and covering a five-year period. Cash flows beyond such five-year period are extrapolated using the estimates described below.

Key assumptions used for value-in-use calculations include gross margins, revenue growth rates and a discount rate. Management projects gross margins and revenue growth rates based on past performance and its expectations for future market developments.

The discount rate was based on our actual borrowing cost in 2013.

Restricted bank deposits

Restricted bank deposits represent funds deposited with banks as security for our guarantee of mortgages. As described under "Management's Discussion and Analysis — Financing of Our Projects", our project companies are required to keep on deposit a portion of the outstanding balances of purchasers' mortgages until such purchasers obtain property certificates and pledge those with their mortgage banks.

Management's Discussion and Analysis of Financial Information for 2013, 2012 and 2011

2013 compared to 2012

Revenue. Revenue in 2013 was RMB31,099 million, an increase of RMB2,441 million, or 9%, from RMB28,658 million in 2012. This increase was primarily due to an increase in our revenue from property development of RMB2,093 million, or 8%, from RMB26,053 million in 2012 to RMB28,146 million in 2013. Additionally, our revenue from property investment increased by RMB136 million, or 33%, from RMB414 million in 2012 to RMB550 million in 2013; our revenue from property management increased by RMB138 million, or 30%, from RMB453 million in 2012 to RMB591 million in 2013; and our revenue from other real estate related businesses increased by RMB74 million, or 4%, from RMB1,738 million in 2012 to RMB1,812 million in 2013.

We set forth in the table below information relating to the types of properties for which we recognized property development revenue in 2012 and 2013.

	Year ended December 31, 2012				Year ended December 31, 2013			
Type of properties sold and delivered	**Revenue**		**GFA sold and delivered**		**Revenue**		**GFA sold and delivered**	
	RMB millions	**% of total**	**Thousand sq.m.**	**% of total**	**RMB millions**	**% of total**	**Thousand sq.m.**	**% of total**
Residential	23,004	88%	1,864	91%	25,048	89%	2,110	86%
Retail	1,472	6%	63	3%	1,540	5%	83	3%
Office	1,152	4%	49	2%	759	3%	45	2%
Car parks	425	2%	79	4%	799	3%	207	9%
Total	26,053	100%	2,055	100%	28,146	100%	2,445	100%

We set forth in the table below the revenue from each project for which we recognized property development revenue in 2012 and 2013.

Region	Cities	Projects	Year ended December 31, 2012	2013
			(RMB millions)	
Beijing	Beijing	Ocean Crown	—	262
		Ocean Great Harmony	2,914	224
		Ocean Honored Chateau	5	—
		Ocean LA VIE	1,730	2,645
		Ocean Landscape	11	—
		Ocean Landscape Eastern Area	121	—
		Ocean Landscape Eastern Area E02/03 project	—	37
		Ocean Manor	838	635
		Ocean Oriental Mansion	1,821	194
		Ocean Palace	—	1,028
		POETRY OF RIVER	2,012	421
		The Place	502	836
		Mizhiyun Project	—	311
		Beijing Subtotal	9,954	6,593
Pan-Bohai Rim	Dalian	Chanson Garden	1	—
		Ocean Holiday Manor	657	96
		Ocean Plaza	3,148	65
		Ocean Prospect	18	—
		Ocean Seasons	264	80
		Ocean TIMES	838	2,022
		Ocean Worldview	2,522	2,106
	Qingdao	Ocean Prospect	—	1,938
	Qinhuangdao	Wan Hai Yi Hao	7	—
		Ocean Century	—	176

Region	Cities	Projects	Year ended December 31, 2012	2013
			(RMB millions)	
	Tianjin	Ocean City	2,294	861
		Ocean Express	279	3
		Ocean Great Harmony	630	781
		Ocean Paradise	5	—
		Ocean International Center	—	145
		Ocean Prospect	912	81
		Pan-Bohai Rim Subtotal	11,575	8,354
Yangtze River Delta.	Hangzhou	Ocean Mansion	—	4,061
	Huangshan	An Island Paradise	133	162
	Shanghai	BOND CASTLE	—	148
		Ocean Mansion No. 7	—	1,108
	Zhenjiang	Ocean Beach	—	366
		Yangtze River Delta Subtotal	133	5,845
Pearl River Delta	Haikou	Ocean Zen House	—	91
	Sanya	Ocean Mansion	264	52
	Zhongshan	Ocean City	2,180	1,612
		Ocean New Era	—	771
		Pearl River Delta Subtotal	2,444	2,526
Others	Changchun	Ocean Cannes Town	559	719
	Chongqing	Sino-Ocean International GOLF Resort	—	721
	Fushun	Ocean City	—	472
	Shenyang	Ocean Paradise	605	1,181
		Ocean Residence	—	708
	Wuhan	Ocean Manor	275	219
		Ocean World	83	9
		Others Subtotal	1,522	4,029
Subtotal			25,628	27,347
Car parks (various projects)			425	799
Total			**26,053**	**28,146**

Cost of sales. Cost of sales for 2013 were RMB23,552 million, representing an increase of RMB2,593 million, or 12%, from RMB20,959 million in 2012. This increase was primarily due to an increase in the cost of property development which in turn was primarily due to an increase in average land cost per sq.m. (excluding car parks) by RMB300 per sq.m., or 12.5%, from RMB2,400 per sq.m. in 2012 to RMB2,700 per sq.m. in 2013. This was due to more properties delivered in 2013 as compared to 2012 coming from newly acquired projects. The increase in average land cost per sq.m. was partially offset by a decrease in average construction cost per sq.m. (excluding car parks) by RMB500 per sq.m., or 9%, to RMB5,200 in 2013 from RMB5,700 per sq.m. in 2012.

Gross profit. As a result of the above, gross profit for 2013 was RMB7,547 million, a decrease of RMB152 million, or 2%, from RMB7,699 million in 2012. Our gross profit margin for 2013 was approximately 24%, a decrease from 27% in 2012. This decrease resulted from increased land costs.

Fair value gain on investment properties. We had a fair value gain of RMB808 million on investment properties in 2013, as compared to a fair value gain of RMB1,535 million in 2012.

Interest and other income. Our interest and other income in 2013 was RMB376 million, an increase of RMB167 million, or 80%, from RMB209 million in 2012, primarily due to an increase in our overall interest income received.

Other gains/(losses) — net. In 2013, we had net other gains in the amount of RMB102 million. By comparison, we had net other losses in 2012 in the amount of RMB126 million. Other gains in 2013 comprised exchange gains of RMB100 million and gains from our disposal of Trendex Investment Limited in May 2013 of RMB27 million.

Selling and marketing expenses. Selling and marketing expenses for 2013 were RMB785 million, a decrease of RMB178 million, or 18%, from RMB963 million in 2012. Such decrease was due to increased efficiency in the management of these costs, including from our implementation of a new IT system to monitor and control these costs.

Administrative expenses. Administrative expenses for 2013 were RMB675 million, a decrease of RMB178 million, or 21%, from RMB853 million in 2012. We believe that this was attributable to our strict cost control measures.

Operating profit. As a result of the above, our operating profit for 2013 was RMB7,373 million, a decrease of RMB128 million, or 2%, from RMB7,501 million in 2012. Our operating profit margin for 2013 was 24%, compared with 26% in 2012.

Finance costs. In 2013, our finance costs were RMB364 million, a decrease of RMB262 million, or 42%, from RMB625 million in 2012, primarily due to our being able to capitalize a greater proportion of our interest expenses in 2013 than 2012 and a decrease in our weighted average interest rate in 2013 as compared to 2012.

Share of profits of joint ventures. In 2013, we had a share of profits of joint ventures in the amount of RMB347 million, a slight decrease of RMB15 million, or 4%, from RMB362 million in 2012.

Profit before income tax. As a result of the above, our profit before income tax in 2013 was RMB7,341 million, an increase of RMB106 million, or 1%, from RMB7,235 million in 2012.

Income tax expenses. Our income tax expenses for 2013 was RMB2,680 million, a decrease of RMB568 million, or 17%, from RMB3,248 million in 2012 due primarily to the slight decrease in our gross profit and our effective income tax rate decreasing slightly to 29% in 2013, compared to 30% in 2012.

Profit attributable to owners of the Company. As a result of the above, our profit attributable to owners of the Company in 2013 was RMB4,075 million, an increase of RMB279 million, or 7%, from RMB3,796 million in 2012. Our profit attributable to owners of our Company as a percentage of revenue was 13% in 2013 and 13% in 2012.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB586 million in 2013, an increase of RMB395 million, or 207%, from RMB191 million in 2012.

2012 compared to 2011

Revenue. Revenue in 2012 was RMB28,658 million, an increase of RMB8,761 million, or 44%, from RMB19,897 million in 2011. This increase was primarily due to an increase in our revenue from property development of RMB8,435 million, or 48%, from RMB17,618 million in 2011 to RMB26,053 million in 2012. Additionally, our revenue from property investment increased by RMB74 million, or 22%, from RMB340 million in 2011 to RMB414 million in 2012; our revenue from property management increased by RMB76 million, or 20%, from RMB377 million in 2011 to RMB453 million in 2012; and our revenue from other real estate related business increased by RMB176 million, or 11%, from RMB1,562 million in 2011 to RMB1,738 million in 2012.

We set forth in the table below information relating to the types of properties for which we recognized property development revenue in 2011 and 2012.

Type of properties sold and delivered	Year ended December 31, 2011				Year ended December 31, 2012			
	Revenue		GFA sold and delivered		Revenue		GFA sold and delivered	
	RMB millions	% of total	Thousand sq.m.	% of total	RMB millions	% of total	Thousand sq.m.	% of total
Residential	16,389	93%	1,310	89%	23,004	88%	1,864	91%
Retail	505	3%	33	2%	1,472	6%	63	3%
Office	243	1%	28	2%	1,152	4%	49	2%
Car parks	481	3%	110	7%	425	2%	79	4%
Total	17,618	100%	1,481	100%	26,053	100%	2,055	100%

We set forth in the table below the revenue of each project for which we recognized property development revenue in 2012 and 2011.

Region	Cities	Projects	2011	2012
			Revenue (RMB million)	
Beijing	Beijing	Ocean Express	44	—
		Ocean Great Harmony	382	2,914
		Ocean Honored Chateau	—	5
		Ocean LA VIE	—	1,730
		Ocean Landscape	21	11
		Ocean Landscape Eastern Area	3,044	121
		Ocean Manor	—	838
		Ocean Office Park	27	—
		Ocean Oriental Mansion	—	1,821
		Ocean Seasons	125	—
		POETRY OF RIVER	3,844	2,012
		The Place	—	502
		Beijing Subtotal	7,487	9,954
Pan-Bohai Rim	Dalian	Chanson Garden	27	1
		Ocean Holiday Manor	—	657
		Ocean Plaza	—	3,148
		Ocean Prospect	391	18
		Ocean Seasons	850	264
		Ocean TIMES	—	838
		Ocean Worldview	1,997	2,522
	Qinhuangdao	Wan Hai Yi Hao	122	7
	Tianjin	Ocean City	1,128	2,294
		Ocean Express	1,110	279
		Ocean Great Harmony	—	630
		Ocean Paradise	4	5
		Ocean Prospect	—	912
		Pan-Bohai Rim Subtotal	5,629	11,575

Region	Cities	Projects	2011	2012
			Revenue	
			(RMB million)	
Yangtze River Delta.	Huangshan	An Island Paradise	—	133
		Yangtze River Delta Subtotal	—	133
Pearl River Delta.	Sanya	Ocean Mansion	614	264
	Zhongshan	Ocean City	1,614	2,180
		Pearl River Delta Subtotal	2,228	2,444
Others	Changchun	Ocean Cannes Town	—	559
	Shenyang	Ocean Paradise	1,535	605
	Wuhan	Ocean Manor	79	275
		Ocean World	179	83
		Others Subtotal	1,793	1,522
Subtotal			17,137	25,628
Car parks (various projects)			481	425
Total			**17,618**	**26,053**

Cost of sales. Cost of sales for 2012 were RMB20,959 million, representing an increase of RMB7,320 million, or 54%, from RMB13,639 million in 2011. This increase was primarily in line with the increase in our total properties sold but was also attributable to an increase in average construction cost (excluding car parks) by RMB1,200 per sq.m., or 27%, to RMB5,700 per sq.m. from RMB4,500 per sq.m. in 2011 due to an increase in material and other related costs due to delivery of more GFA from mid-to-high end residential projects.

Gross profit. As a result of the above, gross profit for 2012 was RMB7,699 million, an increase of RMB1,441 million, or 23%, from RMB6,258 million in 2011. Our gross profit margin for 2012 was 27%, compared with 31% in 2011. The decline in our gross profit margin was attributable to the increase in construction costs per sq.m..

Fair value gain on investment properties. We had a fair value gain of RMB1,535 million on investment properties in 2012, as compared to a fair value gain of RMB513 million in 2011. The increase in fair value gain in 2012 related to a general increase in market property prices.

Interest and other income. Our interest and other income in 2012 was RMB209 million, a decrease of RMB16 million, or 7%, from RMB225 million in 2011, primarily due to a decrease in our overall interest income.

Other (losses)/gains — net. In 2012, we had net other losses in the amount of RMB126 million, primarily due to impairment of available-for-sale financial assets and goodwill.

Selling and marketing expenses. Selling and marketing expenses for 2012 were RMB963 million, an increase of RMB187 million, or 24%, from RMB776 million in 2011. This increase was due primarily related to the increase in our contracted sales and our effort to increase our sales and marketing forces.

Administrative expenses. Administrative expenses for 2012 were RMB853 million, an increase of RMB33 million, or 4%, from RMB820 million in 2011. This increase was in line with our revenue growth and coverage of more cities.

Operating profit. As a result of the above, our operating profit for 2012 was RMB7,501 million, an increase of RMB1,974 million, or 36%, from RMB5,527 million in 2011. Our operating profit margin for 2012 was 26%, compared with 28% in 2011.

Finance costs. In 2012, our finance costs were RMB625 million, an increase of RMB206 million, or 49%, from RMB419 million in 2011, primarily due to an increase in bank borrowing cost in the PRC.

Share of profits of jointly controlled entities. In 2012 we had a share of profits of jointly controlled entities in the amount of RMB362 million, as compared to RMB69 million in 2011.

Profit before income tax. As a result of the above, our profit before income tax in 2012 was RMB7,235 million, an increase of RMB2,061 million, or 40%, from RMB5,174 million in 2011.

Income tax expense. Our income tax expense for 2012 was RMB3,248 million, an increase of RMB694 million, or 27%, from RMB2,554 million in 2011. Our effective income tax rate was 30% in 2012, compared to 36% in 2011. The decrease in our effective income tax rate was primarily due to decreased contributions to revenue from projects with non-deductible expenses.

Profit attributable to owners of the Company. As a result of the above, our profit attributable to owners of our Company in 2012 was RMB3,796 million, an increase of RMB1,225 million, or 48%, from RMB2,571 million in 2011. Our profit attributable to owners of our Company as a percentage of revenue was 13% in 2012 and 2011.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB191 million in 2012, an increase of RMB141 million, or 282%, from RMB50 million in 2011.

Liquidity and Capital Resources

Our primary uses of cash are to pay for land acquisition costs, construction costs and finance costs and to fund working capital and normal recurring expenses. To date we have funded our growth principally from internally generated cash flows, including proceeds from the sales and pre-sales of our properties, bank loans and proceeds from our IPO, bond issuances, a share placement and, prior to our IPO, shareholder contributions. Going forward, we believe our liquidity requirements will be satisfied by using a combination of bank loans, cash provided by operating activities, including proceeds from the sales and pre-sales of our properties, the proceeds from the offering of the Notes, and other funds raised from the capital markets from time to time.

Net current assets

As at December 31, 2013, we had net current assets of approximately RMB51,985 million. Our current assets were mainly comprised of properties under development of RMB69,903 million, completed properties held for sale of RMB12,080 million, prepayments for land use rights of RMB10,686 million and cash and cash equivalents of RMB11,253 million. Our current liabilities were mainly comprised of advance receipts from customers of RMB34,604 million, trade and other payables of RMB17,987 million and borrowings of RMB12,839 million.

The following table presents selected cash flow data from our consolidated cash flow statements for the three years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		
	2011	2012	2013
	(RMB millions)		
Net cash generated from/(used in) operating activities	(9,501)	4,418	1,497
Net cash (used in)/generated from investing activities	222	(677)	(170)
Net cash (used in)/generated from financing activities	4,044	(1,641)	(763)
Net increase/(decrease) in cash and cash equivalents	(5,235)	2,100	564
Cash and cash equivalents at end of the year	8,648	10,747	11,253

Cash flow from operating activities

We derive our cash inflow from operations principally from the pre-sale and sale of properties, rental of investment properties and cash from our other activities. Our cash outflow from operations is principally for investments in property under development.

In 2013, we had net cash generated from operating activities in the amount of approximately RMB1,497 million which consisted primarily of (i) operating profits before changes in working capital of RMB6,905 million, (ii) a decrease in properties under development of RMB5,866 millon and (iii) an increase in advanced proceeds received from customers of RMB3,922 million as offset primarily by (i) an increase in prepayments for land use rights of RMB7,262 million and (ii) an increase in completed properties held for sale of RMB5,373 million.

In 2012, we had net cash generated from operating activities in the amount of approximately RMB4,418 million which consisted primarily of (i) operating profit before changes in working capital of RMB6,391 million, (ii) an increase in advanced proceeds received from customers of RMB8,575 million and (iii) an increase in trade and other payables of RMB6,212 million as partially offset by (i) an increase in completed properties held for sale of RMB5,936 million and (ii) an increase in properties under development of RMB4,657 million.

In 2011, we had net cash used in operating activities in the amount of approximately RMB9,501 million which consisted primarily of an increase in properties under development of RMB22,606 million as partially offset by (i) a decrease in deposits for land use rights of RMB10,637 million, (ii) an increase in advanced proceeds received from customers of RMB6,635 million and (iii) operating profit before changes in working capital of RMB5,546 million.

Cash flow from investing activities

Our investing activities mainly consist of investments in property, plant and equipment, investment property, and acquisitions of interests in subsidiaries.

In 2013, we had net cash used in investing activities in the amount of approximately RMB170 million, primarily due to purchases and disposals of available-for-sale financial assets in the net amount of RMB165 million.

In 2012, we had net cash used in investing activities in the amount of RMB677 million. This was primarily as a result of cash used to purchases of available-for-sale financial assets in the sum of RMB571 million.

In 2011, we had net cash generated from investing activities in the amount of RMB222 million, primarily as a result of proceeds from disposal of interests in subsidiaries without change of control of RMB500 million.

Cash flow from financing activities

Our financing activities consist primarily of borrowings, capital raising, shareholders' contributions and dividend distributions.

In 2013, we had net cash used in financing activities in the amount of approximately RMB763 million. This was primarily repayments of borrowings of RMB21,434 million and redemption of convertible securities of RMB5,699 million, partially offset by new borrowings of RMB24,262 million and cash from issue of shares of RMB4,960 million.

In 2012, we had net cash used in financing activities in the amount of RMB1,641 million. This was primarily from repayments of borrowings of RMB20,304 million, partially offset primarily by new borrowings of RMB19,072 million.

In 2011, we had net cash generated from financing activities in the amount of RMB4,044 million. This was primarily from new borrowings of RMB16,733 million and proceeds form issuance of capital securities of RMB2,533 million as partially offset primarily by repayments of borrowings of RMB12,346 million.

Indebtedness and Contingent Liabilities

Bank and other borrowings

Our bank and other borrowings as at December 31, 2011, 2012 and 2013 are set forth below:

	As at December 31,		
	2011	2012	2013
	(RMB millions)		
Long-term bank borrowings	12,336	17,200	17,323
Current portion of long-term bank borrowings	8,130	5,682	7,746
Short-term bank borrowings	1,500	1,005	3,779
Total bank borrowings	21,966	23,887	28,849
Long-term other borrowings	6,770	3,673	5,132
Current portion of long-term other borrowings	4,080	2,600	400
Short-term other borrowings	772	2,233	914
Total other borrowings	11,622	8,506	6,446
Total borrowings	33,587	32,393	35,295

The maturities of our total borrowings at the respective balance sheet dates are set out as follows:

	As at December 31,		
	2011	2012	2013
	(RMB millions)		
Total borrowings			
— Within one year	14,482	11,520	12,839
— Between one and two years	6,779	7,461	7,039
— Between two and five years	10,001	11,263	12,031
More than 5 years	2,325	2,150	3,386
Total borrowings	33,587	32,393	35,295

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

	Year ended December 31,		
	2011	2012	2013
Bank borrowings	6.40%	6.77%	6.34%
Other borrowings	8.13%	9.71%	9.34%

As at December 31, 2013, we had unutilized credit facilities available of approximately RMB37,948 million.

Our gearing ratio, calculated as total debt less cash and cash equivalents and restricted bank deposits divided by equity attributable to owners of the Company, as at December 31, 2011, 2012 and 2013 was 60%, 42% and 48%, respectively.

Financial guarantees

In the normal course of our business, we enter into agreements with commercial banks with respect to mortgage facilities granted by commercial banks to our property purchasers, under which we guarantee the full value of the mortgages. Pursuant to the terms of the guarantees, upon a default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principal together with accrued interest and any penalty, and we are entitled to take over the legal title and possession of the related properties. For most mortgages, guarantees will be released when the property title deeds are passed to the banks as security for the respective mortgage loans, which generally takes place within one to two years after the property units are delivered to the buyers.

The following table sets forth our financial guarantees as at December 31, 2011, 2012 and 2013.

	As at December 31,		
	2011	2012	2013
		(RMB millions)	
Guarantees in respect of mortgage facilities for certain purchasers	3,159	3,837	5,733

The following table sets forth the provisions that we made for our financial guarantees in 2011, 2012 and 2013.

	Year ended December 31,		
	2011	2012	2013
		(RMB millions)	
Opening balance	59	64	82
Net charge for the period	5	18	33
Ending balance	64	82	115

See also "Risk Factors — Risks Relating to Our Business — We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial conditions could be adversely affected".

Commitments and contingent liabilities

Commitments. Commitments for land acquisition and construction costs contracted for at balance sheet dates but not yet incurred were as follows:

	As at December 31,		
	2011	2012	2013
		(RMB millions)	
Contracted but not provided for			
Land use rights	8,521	7,710	2,680
Properties under development	24,621	23,019	9,606
Total	33,142	30,729	12,286

Warranty against defects in properties

We provide purchasers of our properties with terms varying from one to two years against certain defects as stipulated in PRC laws and regulations. We also get corresponding warranties from the contractors who have constructed the relevant properties.

Legal contingencies

In the normal course of business, we are involved in lawsuits and other proceedings. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, we believe that no liabilities resulting from these proceedings will have a material adverse effect on our financial position, liquidity, or results of operations.

Off-balance sheet arrangements

As at December 31, 2013, and the date of this Offering Circular, we did not have any off-balance sheet arrangements with unconsolidated entities.

No other outstanding indebtedness

Except as disclosed in this Offering Circular, we did not have bank overdrafts, liabilities under acceptances, hire purchase commitments and other outstanding indebtedness as at December 31, 2011, 2012 or 2013.

Quantitative and Qualitative Disclosures About Market Risks

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. Our cash flow interest rate risk arises from long-term borrowings with floating interest rates. Such risk is partially offset by cash held at prevailing market interest rates. During 2011, 2012 and 2013, our borrowings at floating interest rates were denominated in Renminbi, HK dollars and U.S. dollars. Our fair value interest rate risk relates primarily to our fixed rate borrowings and other payables. We do not currently use any derivative instruments to manage our interest rate risks. More details on our interest rate risk are set forth in Note 4.1(a)(ii) to our audited consolidated financial statements for the year ended December 31, 2013 included in this Offering Circular.

Foreign exchange risk

We conduct our business primarily in Renminbi. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. An appreciation of the Renminbi, however, would adversely affect the value of proceeds we receive from the offering of the Securities and any subsequent overseas equity or debt offering if they are not converted into Renminbi in a timely manner. Please see "Risk Factors — Risks Relating to Business Operations in the PRC — We are subject to risks presented by fluctuations in foreign currencies" and "Risk Factors — Risks Relating to the PRC — Fluctuations in the value of the Renminbi may have a material adverse effect on our business" for more details.

Inflation risk

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, increased by approximately 5.4% in the year ended December 31, 2011 and increased by approximately 2.6% in the year ended December 31, 2012. We have not been materially adversely affected by any inflation or deflation in the past. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future and we cannot make any assurance that we will not be adversely affected by such inflation or deflation.

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Joint Lead Managers or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

THE ECONOMY OF THE PRC

Over the last 25 years, the PRC government has introduced reforms that have transformed the PRC economy from a centrally planned system into a more liberalized market economy. The significant economic development that has resulted from such reforms has been accelerated by China's accession to the World Trade Organization in 2001. China has experienced average annual nominal GDP growth rate of approximately 15.1% from 2004 to 2013.

The table below sets forth selected PRC economic statistics for the years indicated :

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013 CAGR
Real GDP growth (%)	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.7	N/A
GDP per capita (RMB)	12,336	14,185	16,500	20,169	23,708	25,608	30,015	35,198	38,459	41,907	14.6%
CPI growth (%)	3.9	1.8	1.5	4.8	5.9	(0.7)	3.3	5.4	2.6	2.6	N/A
Urban population (million)	542.8	562.1	582.9	606.3	624.0	645.1	669.8	690.8	711.8	731.1	3.4%
Urbanization(1) (%)	41.8	43.0	43.9	44.9	45.7	46.6	49.9	51.3	52.6	53.7	N/A
Per capita disposable income (RMB)	9,422	10,493	11,760	13,786	15,781	17,175	19,109	21,810	24,565	26,955	12.4%
Real estate investment (RMB billion)	1,316	1,591	1,942	2,529	3,120	3,624	4,826	6,180	7,180	8,601	23.2%

Source: National Bureau of Statistics of China, 2004 — 2013

Notes:

(1) Urbanization denotes the proportion of the total population residing in urban areas.

Housing reforms, together with the economic growth of China, emergence of the mortgage lending market and increasing urbanization rate, are key factors affecting the real estate market in China and its growth. These and other government housing reform measures will continue to encourage private housing ownership in China. According to the National Bureau of Statistics of China, China's urbanization rate rose from approximately 29% in 1995 to approximately 54% in 2013. Increases in the urban population of China will likely result in increases in demand for residential properties.

PRC Property Markets

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system.

In 1988, the PRC government amended the national constitution to permit the transfer of state-owned land use rights and, in 1992, sales of formerly public housing commenced in major cities. Two years later, in 1994, the PRC government implemented further reforms and established an employer/ employee-funded housing fund and issued a regulation regarding pre-sale of commodity housing in cities. In 1995, the PRC government issued regulations regarding the transfer of real estate, established a regulatory framework for real estate sales and subsequently abolished the state-allocated housing policy in 1998. In 1999, the PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market.

The PRC government issued regulations to standardize the quality of construction projects in 2000, establishing a framework for administering construction quality. In 2002, the PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China. In 2003, the PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.

From 2004 to the first half of 2008, in order to prevent the overheating of the PRC economy and to achieve balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. The PRC government also took measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government introduced policies and measures to restrict such increases.

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. However, beginning in December 2009, the PRC government began to adjust its policies and introduced new measures in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly.

The PRC government now applies various economic, legal and administrative measures to regulate the real estate market, in order to encourage end-user demand while restricting speculation activities, and to better coordinate development between the real estate industry and national economy. See "Regulation".

Commodity Property Sales

Demand for real estate in China has steadily increased over the years. According to the National Bureau of Statistics of China, the total revenue from real property sales in China increased from approximately RMB251.3 billion in 1998 to approximately RMB6,446 billion in 2012. During the same period, the total GFA sold in China increased from approximately 121.9 million sq.m. in 1998 to approximately 1,305.1 million sq.m. in 2013. Of the 1,305.1 million sq.m. of aggregate GFA sold in 2013, approximately 1,157.2 million sq.m. were residential properties, representing an increase of approximately 17.5% from 2012.

The average price of commodity properties sold in China increased from RMB3,800.0 per sq.m. in 2008 to RMB6,237.3 per sq.m. in 2013, while the average price of residential properties sold increased from RMB3,576.0 per sq.m. to RMB5,849.8 per sq.m. during the same period.

The average price of commodity properties sold in China in 2013 was calculated by dividing total sales proceeds by the total GFA sold.

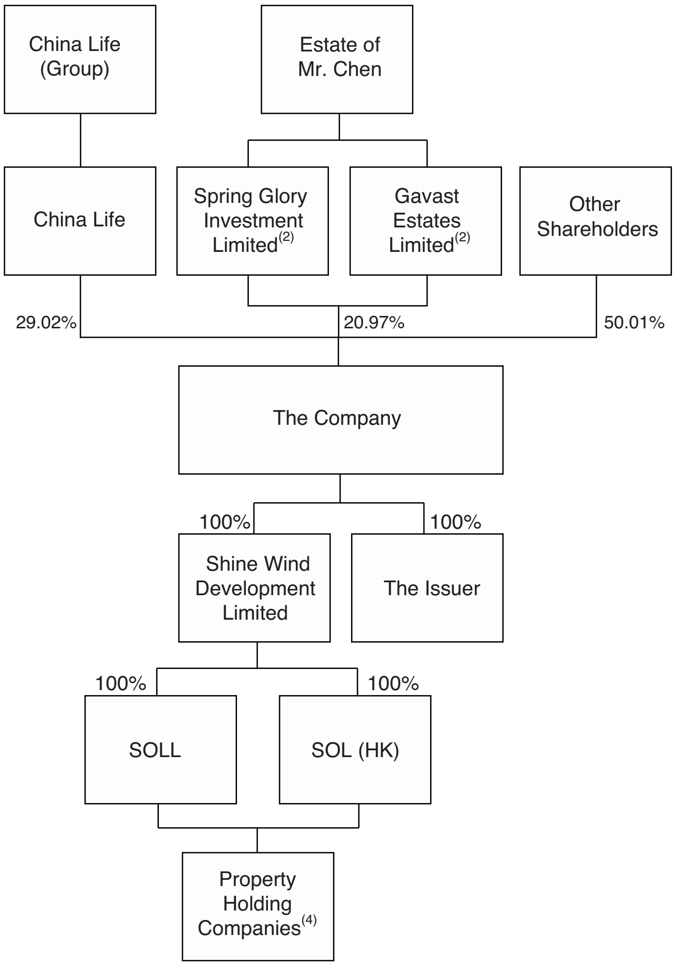
The table below sets out selected statistics relating to the PRC property market for the years indicated.

	2008	2009	2010	2011	2012	2013
Real estate investment (RMB billion)	3,120	3,624	4,826	6,180	7,180	8,601
Total GFA sold (million sq.m.)	660	948	1,048	1,094	1,113	1,305
GFA of residential properties sold (million sq.m.)	593	862	934	965	985	1,157
Average price of commodity properties (RMB/sq.m.)	3,800	4,681	5,032	5,357	5,791	6,237
Average price of residential properties (RMB/sq.m.)	3,576	4,459	4,725	4,993	5,430	5,850
Total sales revenue for commodity properties (RMB billion)	2,507	4,436	5,272	5,859	6,446	8,143
Total sales revenue for residential properties (RMB billion)	2,120	3,843	4,412	4,820	5,347	6,770

Source: National Bureau of Statistics of China, 2008 — 2013

CORPORATE STRUCTURE

The following illustrates a summary of our corporate structure as of December 31, 2013, including a number of our significant projects:



Notes:

(1) China Life is a subsidiary of China Life Insurance (Group) Company ("China Life (Group)").

(2) Both Spring Glory Investment Limited and Gavast Estates Limited are indirectly wholly-owned by Nan Fung which, in turn, is indirectly wholly-owned by the estate of Mr. Chen Din Hwa ("Mr. Chen").

(3) This chart is for summary illustration purposes only.

(4) Details of property holding companies:

	Name of Company(ies) Involved	Name of Project	Holding %
1.	北京遠豪置業有限公司 (Beijing Yuan Hao Development Company, Limited)	遠洋•萬和公館 (北京) (Ocean Crown (Beijing))	100%
2.	遠洋地產有限公司 (Sino-Ocean Land Limited)	遠洋萬和四季 (北京) (Ocean Melody (Beijing))	100%
3.	北京中聯置地房地產開發有限公司 (Beijing Zhong Lian Land Development Company, Limited)	遠洋一方 (北京) (POETRY OF RIVER (Beijing))	100%
4.	北京中聯置地房地產開發有限公司 (Beijing Zhong Lian Land Development Company, Limited)	遠洋•新悅 (北京) (The Place (Beijing))	100%
5.	遠洋地產有限公司 (Sino-Ocean Land Limited)	遠洋•沁山水E02/03 (北京) (Ocean Landscape Eastern Area E02/03 Project (Beijing))	100%
6.	北京東隆房地產開發有限公司 (Beijing Dong Rong Real Estate Development Co., Ltd.)	遠洋LA VIE (北京) (Ocean LA VIE (Beijing))	85.72%

	Name of Company(ies) Involved	Name of Project	Holding %
7.	北京遠聯置地房地產開發有限公司 (Beijing Yuan-lian Real Estate Development Company, Limited)	遠洋•傲北 (北京) (Ocean Manor (Beijing))	100%
8.	北京遠盛置業有限公司 (Beijing Yuan Sheng Land Development Company, Limited)	遠洋•天著 (北京) (Ocean Palace (Beijing))	100%
9.	北京天江通睿置業有限公司	CBD Z6地塊 (北京) (CBD Plot Z6 (Beijing))	100%
10.	國壽遠通置業有限公司 (Guoshou Yuantong Real Estate Company Limited)	CBD Z13地塊 (北京) (CBD Plot Z13 (Beijing))	10%
11.	北京遠翔置業有限公司 (Beijing Yuanxiang Property Co., Ltd)	遠洋國際中心二期 (Ocean International Center Phase II (Beijing))	35%
12.	密之雲(北京)呼叫產業基地有限公司	密之雲項目 (北京) (Mizhiyun Project (Beijing))	90%
13.	北京遠河房地產開發有限公司 (Beijing Yuan He Real Estate Development Company Limited)	遠洋•東方公館 (北京) (Ocean Oriental Mansion (Beijing))	100%
14.	勛業(大連)置業有限公司	遠洋自然 (大連) (Ocean Seasons (Dalian))	100%
15.	大連宏澤置業有限公司	遠洋時代城 (大連) (Ocean TIMES (Dalian))	100%
16.	大連利遠置業有限公司、大連宏宇置業有限公司	榮域 (大連) (The Palace of Glory (Dalian))	100%
17.	大連正乾置業有限公司、大連明遠置業有限公司 (Dalian Sky-Upright Property Limited, Dalian Sunny-Ocean Property Limited)	紅星海世界觀 (大連) (Ocean Worldview (Dalian))	100%
18.	大連鑫融置業有限公司	遠洋假日養生莊園 (大連) (Ocean Holiday Manor (Dalian))	100%
19.	大連新悦置業有限公司、大連廣宇置業有限公司、大連聖基置業有限公司、大連世甲置業有限公司、大連永圖置業有限公司、大連至遠置業有限公司、大連潤峰置業有限公司、大連源豐置業有限公司	遠洋•鑽石灣 (大連) (Ocean Diamond Bay (Dalian))	100%
20.	大連凱盟房地產開發有限公司 (Dalian Kaimeng Real Estate Co., Ltd.)	遠洋壹中心 (大連) (Ocean MIDTOWN (Dalian))	100%
21.	大連遠佳產業園開發有限公司	遠洋創智高地 (大連) (Sino-Ocean Technopole (Dalian))	100%
22.	大連匯洋置業有限公司	遠洋溫德姆至尊豪廷大酒店 (大連) (Wyndham Grand Plaza Royale Sino-Ocean (Dalian))	100%
23.	大連雲泰置業有限公司 (Dalian Yun Tai Real Estate Co., Ltd.)	小窑灣項目 (大連) (Xiaoyao Bay Project (Dalian))	100%
24.	天津遠濱房地產開發有限公司 (Tianjin Yuan-bin Real Estate Development Company, Limited)	遠洋新幹線 (天津) (Ocean Express (Tianjin))	97.05%
25.	天津遠頤房地產開發有限公司	紅熙郡 (天津) (Royal River (Tianjin))	100%
26.	天津宇華房地產開發有限公司	遠洋風景 (天津) (Ocean Prospect (Tianjin))	100%
27.	天津市遠贏置業有限公司 (Tianjin Yuanying Real Estate Development Company, Limited)	遠洋•萬和城 (天津) (Ocean Great Harmony (Tianjin))	100%

	Name of Company(ies) Involved	Name of Project	Holding %
28.	天津普利達房地產建設開發有限公司 (Tianjin Pulida Real Estate Construction and Development Company Limited)	遠洋城 (天津) (Ocean City (Tianjin))	100%
29.	天津市遠馳房地產開發有限公司 (Tianjin Yuan-Chi Real Estate Development Company, Limited)	遠洋國際中心 (天津) (Ocean International Center (Tianjin))	96.99%
30.	遼寧萬祥置業有限公司、萬祥置業(瀋陽)有限公司 (Liaoning Wanxiang Property Co., Ltd., Wanxiang Zhiye (Shenyang) Co., Ltd.)	遠洋天地 (瀋陽) (Ocean Paradise (Shenyang))	100%
31.	遠洋地產(遼寧)有限公司	遠洋公館 (瀋陽) (Ocean Residence (Shenyang))	100%
32.	撫順德創置業有限公司	遠洋城 (撫順) (Ocean City (Fushun))	65%
33.	秦皇島市海洋置業房地產開發有限公司 (Qinghuangdao Ocean Land Development Company, Limited)	遠洋•海世紀 (秦皇島) (Ocean Century (Qinhuangdao))	100%
34.	杭州遠洋天祺置業有限公司、杭州遠洋新河酒店置業有限公司、杭州遠洋運河商務區開發有限公司	大運河商務區項目 (杭州) (Canal Business Center Project (Hangzhou))	51%
35.	杭州遠洋萊福房地產開發有限公司 (Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited)	遠洋•大河宸章 (杭州) (Grand Canal Milestone (Hangzhou))	70%
36.	杭州德遠瑞祥置業有限公司	遠洋心裡 (杭州) (Ocean In Your Heart (Hangzhou))	100%
37.	遠洋地產(中山)開發有限公司	遠洋城 (中山) (Ocean City (Zhongshan))	100%
38.	中山市遠見房地產開發有限公司	遠洋啟宸 (中山) (Ocean New Era (Zhongshan))	80%
39.	中山市博信房地產開發有限公司	東鳳項目 (中山) (Dongfeng Project (Zhongshan))	51%
40.	中山市遠恒房地產開發有限公司	南頭項目 (中山) (Nantou Project (Zhongshan))	61%
41.	天基房地產開發(深圳)有限公司	遠洋新幹線 (深圳) (Ocean Express (Shenzhen))	84.70%
42.	深圳市樂安房地產有限公司	盛平項目 (深圳) (Shengping Project (Shenzhen))	55%
43.	三亞南國奧林匹克花園有限公司	遠洋公館 (三亞) (Ocean Mansion (Sanya))	70%
44.	三亞棠棣莊園投資有限公司	棠棣項目一期 (三亞) (Tang Di project (Sanya))	52.50%
45.	海南浙江椰香村建設開發有限公司	遠洋華墅 (海口) (Ocean Zen House (Haikou))	70%
46.	重慶遠騰房地產開發有限公司	遠洋高爾夫國際社區 (重慶) (Sino-ocean International GOLF Resort (Chongqing))	87.25%
47.	武漢弘福置業有限公司	遠洋•世界 (武漢) (Ocean World (Wuhan))	55%

	Name of Company(ies) Involved	Name of Project	Holding %
48.	武漢弘福置業有限公司	遠洋莊園 (武漢) (Ocean Manor (Wuhan))	55%
49.	上海遠鑫置業有限公司	遠洋•博堡 (上海) (BOND CASTLE (Shanghai))	100%
50.	上海遠望置業有限公司	遠洋7號 (上海) (Ocean Mansion No.7 (Shanghai))	100%
51.	上海遠正置業有限公司	遠洋•香奈印象 (上海) (Ocean Chanson Mansion (Shanghai))	100%
52.	遠洋地產(鎮江)有限公司	遠洋•香奈河畔 (鎮江) (Ocean Beach (Zhenjiang))	55%
53.	青島遠豪置業有限公司	遠洋風景 (青島) (Ocean Prospect (Qingdao))	100%
54.	青島遠佳置業有限公司	遠洋公館 (青島) (Ocean Honored Chateau (Qingdao))	100%
55.	青島遠景置業有限公司	遠洋自然 (青島) (Ocean Seasons (Qingdao))	100%
56.	長春東方聯合置業有限公司	遠洋•戛納小鎮 (長春) (Ocean Cannes Town (Changchun))	51%
57.	黃山東方紅影視產業投資有限公司	遠洋桃花島 (黃山) (An Island Paradise (Huangshan))	100%
58.	成都乾豪置業有限公司、成都銀港置業有限公司	成都遠洋太古里 (成都) (Sino-Ocean Taikoo Li Chengdu (Chengdu))	50%

TERMS AND CONDITIONS OF THE 2019 NOTES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the 2019 Notes, substantially as they will appear on the reverse of each of the definitive certificates evidencing the 2019 Notes:

The issue of the US$500,000,000 4.625 per cent. Notes due 2019 (the "**Notes**", which term shall include, unless the context requires otherwise, any further securities issued in accordance with Condition 14 and consolidated and forming a single series therewith) of Sino-Ocean Land Treasure Finance I Limited (the "**Issuer**") was authorised by the board of directors of the Issuer on July 17, 2014. The guarantee of the Notes by Sino-Ocean Land Holdings Limited 遠洋地產控股有限公司 (the "**Guarantor**") was authorised by its board of directors on July 17, 2014. The Notes are constituted by the trust deed ((as amended or supplemented from time to time) the "**Trust Deed**") dated on or about July 30, 2014 (the "**Issue Date**") made between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as trustee for the Holders of the Notes (the "**Trustee**", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to the agency agreement dated on or about July 30, 2014 (the "**Agency Agreement**") with the Trustee, The Bank of New York Mellon, London Branch, as principal paying agent (the "**Principal Agent**"), The Bank of New York Mellon (Luxembourg) S.A., as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**") and the other paying agents and transfer agents appointed under it (each a "**Paying Agent**" or a "**Transfer Agent**" and together with the Registrar, the Transfer and the Principal Agent, the "**Agents**") relating to the Notes. References to the "**Principal Agent**", the "**Registrar**", the "**Transfer Agent**" and the "**Agents**" below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection during usual business hours at the principal office for the time being of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified office for the time being of the Principal Agent. The Holders are entitled to the benefit of and are bound by all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

1 Form, Denomination and Title

(A) *Form and Denomination*

The Notes are issued in registered form in the denomination of US$200,000 each and higher integral multiples of US$1,000 in excess thereof without coupons attached. A certificate (each a "**Certificate**") will be issued to each Holder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register.

Upon issue, the Notes will be represented by the Global Certificate deposited with a common depositary for, and representing Notes registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificates".

(B) *Title*

Title to the Notes passes only by transfer and registration in the Register as described in Condition 4. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

2 Guarantee and Status

(A) The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. The obligations of the Guarantor in that respect (the "**Guarantee**") are contained in the Trust Deed. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(B) The Notes constitute (subject to Condition 4) direct, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3 Transfers of Notes; Issue of Certificates

(A) ***Register***

The Issuer will cause the Register to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

(B) ***Transfer***

Subject to Conditions 3(E) and 3(F) and the terms of the Agency Agreement, a Note may be transferred by delivery of the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed by the Holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Agents. No transfer of a Note will be valid unless and until entered on the Register.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) ***Delivery of New Certificates***

Each new Certificate to be issued upon a transfer of Notes will, within seven Business Days of receipt by the Registrar or, as the case may be, any other relevant Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder entitled to the Notes (but free of charge to the Holder and at the Guarantor's expense) to the address specified in the form of transfer.

Except in the limited circumstances described herein (see "The Global Certificates"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Notes (being that of one or more Notes) in respect of which a Certificate is issued is to be transferred, a new Certificate in respect of the Notes not so transferred will, within seven Business Days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder of the Notes not so transferred (but free of charge to the Holder and at the Guarantor's expense) to the address of such Holder appearing on the Register.

(D) ***Formalities Free of Charge***

Registration of a transfer of Notes and issuance of new Certificates will be effected without charge to Holders by or on behalf of the Issuer or any of the Agents, but (i) upon payment by the relevant Holder (or the giving of such indemnity and/or security as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) subject to Condition 3(F).

(E) ***Closed Periods***

No Holder may require the transfer of a Note to be registered (i) during the period of seven days ending on (and including) the due date for redemption of that Note; (ii) during the period of seven days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7, or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(A)). Each such period is a "**Closed Period**".

(F) ***Regulations***

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Holder) by the Registrar to any Holder who asks for one.

4 Negative Pledge

So long as any Notes remain outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Guarantor will ensure that none of its Principal Subsidiaries (other than the Listed Principal Subsidiaries) will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Holders, having received an opinion from independent financial, legal or tax advisors of recognised international standing, if need be, to such effect, and the Trustee shall be entitled, without liability, to rely conclusively on such opinion or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

In this Condition 4:

"**Listed Principal Subsidiaries**" means, at any time, any Principal Subsidiary the shares of which are at such time listed on The Stock Exchange of Hong Kong Limited or any other recognised exchange, and any Subsidiary of such Principal Subsidiary.

"**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose gross revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross revenue attributable to the Guarantor is at least 5 per cent. of the consolidated gross revenue of the Guarantor and its consolidated Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries whose accounts are not consolidated with the accounts of the Guarantor and of associated entities and after adjustment for minority interests; or

(b) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets attributable to the Guarantor, is at least 5 per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the accounts of the Guarantor and of associated entities and after adjustment for minority interests; or

(c) whose gross profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profits attributable to the Guarantor is at least 5 per cent. of the consolidated gross profits of the Guarantor, including the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries whose accounts are not consolidated with the accounts of the Guarantor and of associated entities and after adjustment for minority interests,

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Guarantor and the then latest audited consolidated financial statements of the Guarantor, provided that:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the then latest audited consolidated financial statements of the Guarantor relate, the reference to the then latest consolidated audited consolidated financial statements of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited financial statements of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited financial statements of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, its gross revenue, gross profit or gross assets shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Guarantor;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross assets or gross profit (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; or

(d) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer was a Principal Subsidiary, whereupon (A) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary and (B) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of the sub-paragraphs above.

A certificate signed by any director of the Guarantor stating that, in his opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, Notes, notes, debentures, loan stock or other debt securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter securities market.

5 Interest

The Notes bear interest from and including July 30, 2014 at the rate of 4.625 per cent. per annum, payable semi-annually in arrear in equal instalments of US$23.125 per Calculation Amount (as defined below) on January 30 and July 30 in each year (each an "**Interest Payment Date**"). Each Note will cease to bear interest from (and including) its due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder, and (b) the day which is seven days after the Principal Agent or the Trustee has notified the Holders that it has received all sums due in respect of all the Notes up to that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions). If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including July 30, 2014 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per US$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of 4.625 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Payments

(A) *Method of Payment*

Payment of principal, premium and interest will be made by transfer to the registered account of the Holder or by US dollar cheque drawn on a bank in New York City mailed to the registered address of the Holder if it does not have a registered account. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of any of the Paying Agents.

Interest due on an Interest Payment Date will be paid on the due date for the payment of such interest to the Holder shown on the Register at the close of business on the seventh day before the due date for the payment of interest (the "**Record Date**").

(B) *Registered Accounts*

For the purposes of this Condition 6, a Holder's registered account means the US dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second Business Day before the due date for payment, and a Holder's registered address means its address appearing on the Register at that time.

(C) *Fiscal Laws*

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Holders in respect of such payments.

(D) *Payment Initiation*

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Holder otherwise than by ordinary mail, expense of the Holder) on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal or premium, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

(E) *Delay In Payment*

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Holder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(F) *Partial Payment*

If an amount which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

7 Redemption, Purchase and Cancellation

(A) *Final Redemption*

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on July 30, 2019 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(B) *Redemption for Taxation Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Holders in accordance with Condition 15 (which notice shall be irrevocable) at their principal amount together with any interest accrued to (but excluding) the date fixed for redemption (the "**Tax Redemption Date**"), if the Issuer or the Guarantor satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after July 23, 2014, and (ii) such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it (a "**Gross-Up Event**"), provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, as the case may be, the Guarantor) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or, as the case may be, the Guarantee) then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 7(B), the Issuer (or, as the case may be, the Guarantor) shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer (or, as the case may be, the Guarantor) stating that the obligation referred to in (i) above of this Condition 7(B) cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders. Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Notes at their principal amount together with any interest accrued up to (but excluding) the date fixed for redemption.

(C) *Redemption for Put Event*

At any time following the occurrence of a Put Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, and not some only, of that holder's Notes on the Put Event Redemption Date at 101 per cent. of their principal amount, together with accrued and unpaid interest to (but excluding) the Put Event Redemption Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Notes to be redeemed, by not later than 30 days following a Put Event, or, if later, 30 days following the date upon which notice thereof is given to Holders by the Issuer in accordance with Condition 15.

The "**Put Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Put Event Redemption Date.

The Issuer shall give written notice to Holders in accordance with Condition 15 and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Put Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 7(C).

For the purpose of this Condition 7(C):

"**Change of Control**" occurs when:

(i) China Life Insurance Company Limited and Nan Fung International Holdings Limited and their respective wholly-owned subsidiaries together cease to maintain an aggregate beneficial shareholding of at least 30 per cent. of the issued shares in the Guarantor;

(ii) China Life Insurance Company Limited and its wholly-owned subsidiaries together as a group ceases to be the single largest shareholder of the Guarantor; or

(iii) China Life Insurance Company Limited and its wholly-owned subsidiaries together cease to have a nominee director on the board of directors of the Guarantor;

"**Fitch**" means Fitch Ratings Ltd. and its successors;

"**Moody's**" means Moody's Investors Services, Inc. and its successors;

"**Non-Investment Grade Rating**" means a rating Ba1 from Moody's or BB+ from S&P or BB+ from Fitch or their respective equivalents or worse;

"**Investment Grade Rating**" means a rating of Baa3 from Moody's or BBB- from S&P or BBB- from Fitch or their respective equivalents or better;

a "**Put Event**" will be deemed to occur if:

(i) there is a Change of Control; and

(ii) within a period ending six months after the date notice of the Change of Control first becomes public, a Ratings Downgrade occurs,

provided that if at the time of occurrence of the Change of Control, the Notes carry a Non-Investment Grade Rating or no credit rating from any of the Rating Agencies, a Put Event will be deemed to occur upon the occurrence of a Change of Control alone;

"**Ratings Agencies**" means Moody's, Fitch or S&P or any of their respective successors or assigns;

"**Ratings Downgrade**" means if at the time of occurrence of a Change of Control:

(i) the Notes carry Investment Grade Rating from three Ratings Agencies, that such Investment Grade Rating is either downgraded to a Non-Investment Grade Rating or withdrawn by at least two Rating Agencies; or

(ii) the Notes carry Investment Grade Rating from one or two Ratings Agencies, that such Investment Grade Rating is either downgraded to a Non-Investment Grade Rating or withdrawn by any Rating Agency; and

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors.

The Trustee and the Agents shall not be required to take any steps to ascertain or monitor whether a Put Event has occurred and shall not be responsible for or liable to Holders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so. The Trustee and the Agents shall be entitled to assume that no such Put Event has occurred until the Trustee or the Agents, as applicable, has received notice in writing.

(D) ***Redemption at the Option of the Issuer***

On giving not less than 30 nor more than 60 days' notice (an "**Option Redemption Notice**") to the Trustee and Holders in accordance with Condition 15, the Issuer may at any time and from time to time redeem the Notes, in whole but not in part, at a Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding) the redemption date (the "**Option Redemption Date**") specified in the Option Redemption Notice.

In this Condition 7(D):

"**Adjusted Treasury Rate**" means, with respect to any Option Redemption Date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date;

"**Comparable Treasury Issue**" means the US Treasury security having a maturity comparable to the Maturity Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date;

"**Comparable Treasury Price**" means, with respect to any Option Redemption Date:

1. the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such Option Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or
2. if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations for such Option Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations;

"**Make Whole Price**" means, with respect to a Note at any redemption date, the amount calculated by the Quotation Agent that is the greater of (1) the present value of the principal amount of the Notes, assuming a scheduled repayment thereof on the Maturity Date plus all required remaining scheduled interest payments due on a Note through the Maturity Date (but excluding accrued and unpaid interest to the Option Redemption Date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, and (2) the principal amount of such Notes;

"**Quotation Agent**" means the Reference Treasury Dealer selected by the Issuer;

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary US Government securities dealer in New York City, selected by the Issuer in good faith; and

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Option Redemption Date, the average as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Quotation Agent by such Reference Treasury Dealer at 5:00 p.m. (New York time) on the third business day preceding such Option Redemption Date.

(E) ***Notices of Redemption***

All Notes in respect of which any notice of redemption is given under this Condition shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition. If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 7(B) and Condition 7(D) and any Put Exercise Notice given by a Holder pursuant to Condition 7(C)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(F) ***Purchase***

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time and from time to time purchase Notes at any price in the open market or otherwise.

(G) ***Cancellation***

All Notes which are redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries will forthwith be cancelled. Certificates in respect of all Notes cancelled will be forwarded to or to the order of the Registrar and such Notes may not be reissued or resold.

8 Taxation

All payments made by the Issuer or the Guarantor under or in respect of the Notes, the Trust Deed, the Guarantee or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands, Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the "**Additional Tax Amounts**") as will result in the receipt by the Holders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Note:

(i) *Other connection*: to a Holder (or to a third party on behalf of a Holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the British Virgin Islands or in the case of payments made by the Guarantor, Hong Kong, otherwise than merely by holding the Note or by the receipt of amounts in respect of the Note;

(ii) *Presentation more than 30 days after the relevant date*: (in the case of a payment of principal) if the Certificate in respect of such Note is surrendered more than 30 days after the relevant date except to the extent that the Holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days;

(iii) *Payment to individuals*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) *Payment by another Paying Agent*: presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

For the purposes hereof, "**relevant date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, seven days after the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders and cheques despatched or payment made.

References in these Conditions to principal, interest and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested by Holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(i) *Non-Payment*: the Issuer and the Guarantor each fail to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(ii) *Breach of Other Obligations*: the Issuer or the Guarantor fails to perform or comply with any one or more of their other obligations in the Notes or the Trust Deed or under the Guarantee which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or

(iii) *Cross-Default*: (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that no event described in this

Condition 9(iii) shall constitute an Event of Default unless the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(iii) have occurred equals or exceeds US$25,000,000 or its equivalent; or

(iv) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries and is not discharged or stayed within 45 days; or

(v) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(vi) *Insolvency*: the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other debt-related agreement) is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries; or

(vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries, or the Issuer, the Guarantor or of the Guarantor's Principal Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except for (A) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Holders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of its Subsidiaries, or (B) any voluntary solvent winding-up, liquidation or dissolution of a Principal Subsidiary (other than the Issuer) where the undertaking and assets of such Principal Subsidiary (if any) is vested in the Guarantor or another Subsidiary; or

(viii) *Nationalisation*: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries; or

(ix) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or

(x) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed or the Guarantee; or

(xi) *Issuer ceases to be Subsidiary*: the Issuer ceases to be a Subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor; or

(xii) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(i) to 9(xi); or

(xiii) *Guarantee*: the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

Each of the Issuer and the Guarantor shall, within 14 days of (A) the Guarantor's annual audited financial statements being made available to its equity holders or (B) any request of the Trustee, send to the Trustee a certificate signed by a director of the Issuer or, as the case may be, the Guarantor to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred.

10 Prescription

Claims in respect of amounts due in respect of the Notes will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of Interest) from the relevant date (as defined in Condition 8) in respect thereof.

11 Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of the Notes or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Notes for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Notes, (ii) to reduce or cancel the amount of principal or interest, or premium payable in respect of the Notes, (iii) to change the currency of payment of the Notes, (iv) to cancel or modify the Guarantee or (v) to modify the provisions concerning the quorum required at any meeting of the Holders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Notes for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

12 Modification and Waiver

(A) *Modification and Waiver*

The Trustee may (but shall not be obliged to) agree, without the consent of the Holders, to (i) any modification (except as mentioned in Condition 11 above) to, or the waiver or authorisation of any breach or proposed breach of, the Notes, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or (ii) any modification to the Notes, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Holders and, unless the Trustee agrees otherwise, any such modifications, waivers and authorisations will be notified by the Issuer to the Holders as soon as practicable thereafter.

(B) *Interests of Holders*

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution), the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(C) ***Certificates/Reports***

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Issuer and the Guarantor in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 11, a modification, waiver or authorisation in accordance with Condition 12(A), the Issuer will procure that the Holders be notified in accordance with Condition 15.

13 Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Further Issues

The Issuer may from time to time, without the consent of the Holders, create and issue further Notes having the same terms and conditions as the Notes in all respects and so that such further issue shall be consolidated and form a single series with the Notes. Such further notes may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

15 Notices

All notices to Holders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) (or, if published more than once, the first date on which publication is made) and the seventh day after being so mailed, as the case may be.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any Alternative Clearing System, notices to Holders shall be given by delivery of the relevant notice to Euroclear, Clearstream or any Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16 Agents

The names of the initial Agents and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer will at all times maintain (a) a Principal Agent, (b) as necessary, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Directive 2003/48/EC or any other European Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform, to such Directive, and (c) a Registrar which will maintain the Register outside the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Holders and in any event not less than 30 days' notice will be given.

17 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

18 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed and the Notes and/or the Guarantee, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Holders holding at least 25 per cent. in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Holder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent expressly provided for.

20 Governing Law and Submission to Jurisdiction

The Notes, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the non-exclusive jurisdiction of the courts of England and in relation thereto has appointed Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent for service of process in England.

21 Definitions

In these Conditions:

"**Business Day**" means:

(i) in respect of Condition 3, any day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar and Transfer Agent (if a Certificate is deposited with it in connection with a transfer) or the Agent with whom a Certificate is deposited in connection with a transfer, is located;

(ii) in respect of Condition 5, any day, excluding a Saturday and a Sunday on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, New York and London; and

(iii) in respect of Condition 6, any day other than a Saturday or Sunday on which commercial banks are open for business in New York, Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered;

"**Holder**" means (in relation to a Note) the person in whose name a Note is registered;

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity);

"**Register**" means the register of Holders which the Issuer shall procure to be kept by the Registrar;

"**Subsidiary**" means in relation to any person, any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws or regulations of Hong Kong, or Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time, should have its accounts consolidated with those of that person.

TERMS AND CONDITIONS OF THE 2024 NOTES

The terms and conditions of the 2024 Notes will be identical to those under "Terms and Conditions of the 2019 Notes" except as set out below and references to "Notes" shall be construed as references to the 2024 Notes.

1. The principal amount of the 2024 Notes shall be US$700,000,000.

2. The rate of interest of the 2024 Notes shall be 6.000 per cent. per annum.

3. The reference to "US$23.125" in Condition 5 relating to payment of interest in equal instalments per Calculation Amount shall be "US$30.00".

4. The reference to "50 basis points" in the definition of "Make Whole Price" in Condition 7(D) shall be "60 basis points".

5. The Maturity Date of the 2024 Notes shall be July 30, 2024.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by a Global Certificate, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1 PAYMENTS

Payments of principal, premium (if any) and interest in respect of the Notes represented by a Global Certificate will be made to or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except for 25 December and 1 January.

2 NOTICES

So long as all of the Notes of each series are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or an alternative clearing system, notices to Noteholders of that series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions of the Notes of the relevant series.

3 TRANSFERS

Transfers of interests in the Notes represented by a Global Certificate will be effected through the records of Euroclear and Clearstream (or any alternative clearing system) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any alternative clearing system) and their respective direct and indirect participants.

4 MEETINGS

The registered holder of each Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each US$1,000 in principal amount of Notes for which such Global Certificate is issued.

5 HOLDER'S REDEMPTION

The holder's redemption options in Condition 7(C) may be exercised by the registered holder of a Global Certificate giving notice to the Principal Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in the Terms and Conditions of the Notes.

6 EXCHANGE FOR DEFINITIVE CERTIFICATES

Owners of interests in the Notes in respect of which a Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual definitive Certificates if Euroclear or Clearstream or any other clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

THE ISSUER

The Issuer was incorporated under the laws of the BVI with limited liability on June 20, 2014. The registered office of the Issuer is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Issuer is authorized to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. One registered share has been issued and paid up.

The Issuer has no subsidiaries. The one issued share in the Issuer is owned by the Guarantor.

The Issuer was established for the purpose of issuing the Notes and on-lending the proceeds to the Guarantor or its subsidiaries. Since its incorporation, the Issuer has not engaged in any other material activities other than those relating to the proposed issue of the Notes and the on-lending of the proceeds thereof to the Guarantor or any other subsidiary of the Guarantor, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

The directors of the Issuer as at the date of this Offering Circular are Messrs Li Ming, Sum Pui Ying and Lam Tsz Kin. The business address of the directors is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Issuer has no employees.

The directors of the Issuer do not have any interest or short position in the shares, underlying shares or debentures of the Issuer or of any of its subsidiaries. Under BVI law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as it is necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Overview

We are a leading large-scale national property developer with developments in key economic regions in the PRC, including Beijing, the Pan-Bohai Rim, the Yangtze River Delta and the Pearl River Delta. We focus on developing mid- to high-end residential properties, high-end office buildings and retail spaces and selectively expanding our investment property portfolio. Attributable to our focus on quality products and professional services, we have built "Sino-Ocean" ("遠洋地產") into a strong national brand. We believe we are among the top 10 listed PRC real estate developers by total assets and net assets, based on reported total assets and net assets of listed PRC real estate companies in the fiscal year 2013.

We had 58 projects in various stages of development as of December 31, 2013 in high-growth cities across the PRC. Our core markets include Beijing, Tianjin, Dalian, Shanghai, Shenzhen and Zhongshan. As of December 31, 2013, our total land bank included a total planned GFA of approximately 21.35 million sq.m in the PRC. We started expanding our focus on investment properties in recent years and had seven completed investment properties by December 31, 2013 with a leasable area of approximately 521,000 sq.m.

China Life is our single largest shareholder and held 29.02% of our shares as of December 31, 2013. Nan Fung is our second largest shareholder and held 20.97% of our shares as of the same date. China Life has provided a letter of support and a non-binding equity purchase undertaking, while Nan Fung has provided a letter of support. China Life and Nan Fung participate in the management of our Company and have appointed directors to our Board of Directors. We also have project-level collaborations with China Life and Nan Fung. Please refer to the section headed "Relationship with Principal Shareholders" for more details.

For the three years ended December 31, 2011, 2012 and 2013, our contracted sales amounted to RMB27,005 million, RMB31,119 million and RMB35,818 million, respectively. For those same years, our revenue was RMB19,897 million, RMB28,658 million and RMB31,099 million, respectively, and revenue from property development accounted for approximately 89%, 91% and 91% of our revenue, respectively. Profit for the year was RMB2,621 million, RMB3,987 million and RMB4,661 million, respectively.

Our Strengths

We believe that our success and future prospects are supported by the following strengths:

A position as one of the top listed real estate developers in the PRC with strategic coverage over major economic regions

We are one of the top listed real estate developers in the PRC. We have more than 20 years of experience in the PRC real estate industry. We believe we are among the top 10 listed PRC real estate developers by total assets and net assets, based on reported total assets and net assets of listed PRC real estate companies in the fiscal year 2013.

We have established a leading position in Beijing and the Pan-Bohai Rim, and successfully expanded into the Pearl River Delta and the Yangtze River Delta. As of December 2013, we had 58 projects in various stages of development across 19 cities in the PRC. 13 of our projects are located in Beijing, 20 in the Pan-Bohai Rim, eight in the Yangtze River Delta, nine in the Pearl River Delta and eight in other regions of the PRC. Our projects include residential, office and retail properties and car parks situated in prime and central city locations. We believe that we are well positioned to benefit from the continued growth and development of these major economic regions.

Diversified business operations and balanced property portfolio

We have successfully implemented our national expansion strategy to achieve geographical diversification. Our national expansion has reduced our reliance on any individual market and risks from regional concentration. Replicating our initial successes in Beijing since commencing operations in the early 1990's, we began to expand into Tianjin in 2004, followed by Dalian and Zhongshan in 2006, entering the Pan-Bohai Rim and Pearl River Delta. In 2007, we extended our business coverage to Hangzhou, successfully entering the Yangtze River Delta and have continued to expand our presence across the PRC since then. Whereas approximately 75% of our contracted sales were generated from Beijing and the Pan-Bohai Rim in 2011, our contracted sales (excluding car parks) had a much more balanced composition by 2013, consisting of 28.1% from Beijing, 28.6% from other cities in the Pan-Bohai Rim, 16.9% from the Yangtze River Delta, 15.6% from the Pearl River Delta and the remaining 10.8% from other regions of the PRC.

Apart from our geographically diverse development plan, we have also developed a balanced property portfolio. We develop residential, office and retail properties and car parks typically situated in either prime or central city locations with convenient transportation access. Most of our residential properties target the emerging or affluent urban middle class in the PRC, especially first-time home buyers and upgraders. We sell most of the properties we developed while selectively retaining portions as investment properties. This allows us to achieve strong sales while generating growing recurring income with capital appreciation potential. In addition, we selectively hold seven investment properties and had seven investment properties as of December 31, 2013. These properties include high-end offices, large-scale commercial complexes and retail properties of our self-owned brands, most of which are situated in prime locations in Beijing. The leasable area of our investment properties increased from approximately 319,000 sq.m. in 2011 to 521,000 sq.m. in 2013. Revenue from property investment increased from RMB340 million in 2011 to RMB550 million in 2013, representing a CAGR of 27.1%.

As China's real estate market continues to evolve, we believe our expertise and versatility will enable us to identify and take advantage of growth opportunities across China and to adjust our strategy on a timely basis as needed based on the prevailing regulatory environment and dynamic market demands.

A high-quality land bank mainly located in Tier 1 and Tier 2 cities and disciplined land acquisition strategy

We have a high-quality and geographically diversified land bank. As of December 31, 2013, our land bank had a total planned GFA of approximately 21.35 million sq.m. Most of our projects are located in Tier 1 and Tier 2 cities where housing demand is generally strong. As of December 31, 2013, 15.9%, 66.6% and 17.6% of our land bank GFA was located in Tier 1, Tier 2 and Tier 3 cities, respectively.

We adopt a disciplined approach to land acquisition by undertaking extensive research, analysis and planning prior to land acquisition to ensure profitability, pricing flexibility and asset turnover. We are committed to the following principles with respect land acquisition: adhering to our investment standards, selecting projects with reasonable scales, focusing on areas where we have an existing presence and staffing with suitable and efficient teams. Our Investment Committee also plays an important role. The Investment Committee reviews our investment strategies and risk management plans, as well as examines our annual investment plans.

We acquire land through a variety of channels, including the purchase of project companies in secondary markets and old town redevelopment, as well as public tenders, auctions and biddings. We also seek out primary land development opportunities from local governments, which have the potential to increase our chances of successfully obtaining the land in the subsequent auction or tender process. Leveraging these multiple channels, we seek to replenish our land bank at reasonable cost. The average land cost for our land bank as at December 31, 2013 was approximately RMB3,300 per sq.m. The average cost of newly acquired land was approximately RMB2,704 per sq.m., RMB3,311 per sq.m. and RMB1,457 per sq.m. in 2011, 2012 and 2013, respectively, and the recognized land cost of land use rights accounted for only 23%, 20%, 18% and 22% of our recognized average selling prices (excluding car parks) in 2010, 2011, 2012 and 2013, respectively. For the land in our land bank, we either hold land use rights certificates, have signed land grant contracts or have been successful in tendering or bidding for land use rights.

Making use of diversified funding channels to effectively manage financing costs

We make use of diverse funding channels in order to effectively manage our financing costs. We have established close and long-standing relationships with both Chinese and international banks. We have good access to onshore bank financing from large-scale state-owned banks as well as other major commercial banks in the PRC. We also have a proven track record of obtaining offshore bank borrowings. We successfully obtained three offshore syndicated loans in 2013 and 2014 with favorable pricing. Besides bank borrowings, we also utilize the domestic and international capital markets for fund raising. We successfully issued onshore corporate bonds in 2009. We also completed offerings of convertible securities and perpetual subordinated securities in 2010 and 2011, respectively, to international investors. We are devoted to optimizing our debt structure such that we can better control our financing costs.

Equity financing is also a key funding channel for us. Our funding from equity has mainly consisted of share placements to our major Shareholders, China Life and Nan Fung, as they have sought to expand their financial and operational support. In addition, we have project-level collaboration with our business partners to co-develop property projects, reducing the capital required from us and capitalizing on the synergies achieved.

A strong customer focus and reputable brand name

We believe that the success of our projects has been largely due to our ability to interpret and respond to consumer tastes and preferences. Our market research team, engineering team and sales team work closely together with the help of international and domestic architectural firms in order to plan, develop and deliver products desired by consumers.

We have also entered into strategic partnerships and joint ventures with established property developers based in Hong Kong and the PRC to develop quality and reputable projects. Our strategic partners include Nan Fung, a leading Hong Kong-based property developer and our second largest Shareholder, and Swire, a major Hong Kong-based high-end property developer and manager. Our business partners also include other reputable PRC real estate developers such as Greenland and Greentown with whom we jointly develop property projects.

We believe that our customer focus and quality products have also enabled us to build "Sino-Ocean" into a reputable and well-recognized brand in the PRC. For example, "Sino-Ocean" was recognized as one of the top 10 most valuable brand names among state-owned real estate companies in the PRC by the Development Research Center of the State Council, the Real Estate Research Institute, Research Center of Tsinghua University and China's Index Academy in 2013.

Stable and experienced management and robust corporate governance

We have a diversified board of Directors which consists of five executive Directors, three non-executive Directors and four independent non-executive Directors. Among our executive and non-executive Directors, three were appointed by China Life and two by Nan Fung. Our Directors have extensive experience in areas which range from real estate, finance, banking and investment management to corporate and securities law compliance in China.

In addition, we have a stable and experienced senior management team led by Mr. Li Ming, our Chairman, Executive Director and Chief Executive Officer. Most of our core senior management team members have been working together for over 10 years, leading our Company through various market cycles of the PRC real estate sector. Our management team consists of a group of seasoned professionals with extensive experience in business management, property development and investment, project management and strategic planning.

We are also dedicated to effective risk management. We believe that the diversified and balanced composition of our Board allows us to better identify our risks and formulate management strategies accordingly. We believe that we have established a sound risk management platform and risk control procedures, including with regard to risk identification, risk notification and risk reduction measures. Our Strategic Planning Department is dedicated to planning and executing our strategies. Our Audit Committee and Investment Committee are responsible for our internal risk management. Our finance department monitors and manages our debt structure and gearing level. Our risk management department is charged with ensuring that we are fully compliant with relevant listing rules and regulations and provide timely disclosure. We believe our experienced leadership, robust corporate governance and focus on risk management will continue to play an instrumental role in supporting the further growth of the Company.

Our Strategies

Our vision is to become the premier diversified property developer in China. Our short-term objective is to strengthen our profitability and operational efficiency. In the medium term, we aim to expand our operational abilities, improve the efficiency of our internal control processes, further balance our business portfolio and solidify our shareholding structure. We target sustainable development for the long term by looking ahead and will adjust our development strategies according to market conditions. Our strategies to achieve our vision and objectives are as follows:

Continue to optimize profitability and improve operational efficiency

We plan to continue to reduce costs and create synergies among our business segments to improve profitability and operational efficiency. In particular, we plan to focus on effective control over our financial costs, administrative expenses and marketing expenses to protect and further enhance our core net profit margin. We will also develop our marketing and sales plans according to market conditions and maintain pricing flexibility. We are also devoted to improving our sale-through rate and increasing our asset turnover rate. In addition, we will continue to diversify our funding channels and optimize our debt structure in terms of onshore and offshore borrowings. We believe these efforts will allow us to better manage our total debt level and financing costs.

To create more value and achieve additional synergies across the value chain of our business operations

We will continue to focus on value creation and implement various measures to enhance our cost control and create more synergies in our operations. We intend to promote further research about our product line and leverage our findings to better refine our land acquisition strategies and investment planning. We plan to increase centralized procurement and thereby increase our economies of scale for purchases. We plan to also strengthen our front-end cost control to achieve our cost control target. A group-level cost management database will also be set up to strengthen internal and external cost benchmarking and management. Through the implementation of these various measures, we believe we can further improve our profitability.

Continue to further strengthen our business foundation and improve our development capabilities

We plan to continue to actively monitor the market and seize opportunities to support our growth in a prudent manner, with a primary focus on first-tier and key second-tier cities. We plan to leverage multiple investment channels to strengthen our exposure in these cities, achieving a healthy structural balance for our business portfolio. We are committed to continuing our disciplined approach of selective land acquisition focused on purchasing land at reasonable costs and prudently managing our land bank.

We will also continue to improve our capabilities in commercial property and senior living real estate developments, as we believe that these types of developments have strong synergies with our residential developments. In addition, we plan to fully roll out our comprehensive management information system which we expect to improve our management efficiency, lower management costs and optimize our operating procedures.

Corporate history and key milestones

Since our Company was established in 1993, we have achieved strong growth and have become a leading large-scale national developer in the PRC. A summary of our corporate history and key milestones are as follows:

1999-2003

- Established in 1993 and restructured into a Sino-foreign equity joint venture in 2003
- Primarily focused on development of high-end office buildings and hotels
- Established a strong foothold in Beijing as a leading property developer

2003-2010

- Started to focus on residential property development in 2003 while maintaining our commercial property portfolio
- Expanded geographic coverage to Tianjin in 2004, the Pearl River Delta in 2006, and the Yangtze River Delta in 2007
- Listed on Stock Exchange of Hong Kong in 2007 and became a constituent stock of Hang Seng Composite Index in 2008
- China Life became a 16.57% shareholder in December 2009

2010-Present

- Became a constituent stock of Hang Seng High Dividend Yield Index in 2014
- Established as a national real estate developer with leading positions in select core markets such as Beijing and the Pan-Bohai Rim
- Developed a more balanced business portfolio consisting of both property development and property investment
- China Life continued to increase its holdings to 29.02%, while Nan Fung became our second largest shareholder holding 20.97% of our shares as of December 31, 2013

Our Business

Our land bank

In general, land use rights in China are granted for a term of 70 years for residential properties, 40 years for commercial properties, 50 years for office properties and 50 years for mixed use development properties. The relevant authorities will not issue a formal land use rights certificate in respect of a piece of land until the construction land use approval and the land planning permit have been obtained by the developer, and the land premium has been paid in full and the resettlement process completed. As a result, according to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates are granted at different stages of development.

Our current portfolio of property developments consists of projects in Beijing, Tianjin, Shenyang, Changchun, Fushun, Dalian, Zhongshan, Hangzhou, Chengdu, Chongqing, Shanghai, Wuhan, Zhenjiang, Huangshan, Qingdao, Qinhuangdao, Haikou, Shenzhen, Zhongshan, and Sanya. They include residential, office, retail space and hotel property developments.

The following map shows the locations of our development projects in the PRC as at December 31, 2013:

The following table sets forth key details of each of our property developments as of December 31, 2013:

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

Region	Cities	Projects	Approximate total GFA (sq.m.)	Approximate total saleable GFA (sq.m.)	Remaining Landbank (sq.m.)	Interest attributable to our Group (%)
	Tianjin	Ocean City	2,164,000	1,985,000	1,371,000	100%
		Ocean Express	337,000	288,000	52,000	97.05%
		Ocean Great Harmony	361,000	342,000	213,000	100%
		Ocean International Center	322,000	308,000	225,000	96.99%
		Ocean Prospect	320,000	265,000	201,000	100%
		Royal River	112,000	103,000	112,000	100%
			13,517,000	**10,707,000**	**10,266,000**	
Yangtze River Delta	Hangzhou	Canal Business Center Project	923,000	458,000	776,000	51%
		Grand Canal Milestone	208,000	140,000	208,000	70%
		Ocean In Your Heart	169,000	109,000	169,000	100%
	Huangshan	An Island Paradise	88,000	87,000	62,000	100%
	Shanghai	BOND CASTLE	192,000	88,000	185,000	100%
		Ocean Chanson Mansion	368,000	314,000	368,000	100%
		Ocean Mansion No.7	110,000	94,000	42,000	100%
	Zhenjiang	Ocean Beach	899,000	700,000	808,000	55%
			2,957,000	**1,990,000**	**2,618,000**	
Pearl River Delta .	Haikou	Ocean Zen House	109,000	106,000	100,000	70%
	Sanya	Ocean Mansion	55,000	48,000	4,000	70%
		Tang Di Project	14,000	12,000	14,000	52.5%
	Shenzhen	Ocean Express	557,000	438,000	557,000	84.7%
		Shengping Project	391,000	300,000	391,000	55%
	Zhongshan	Dongfeng Project	199,000	189,000	199,000	51%
		Nantou Project	372,000	346,000	372,000	61%
		Ocean City	2,089,000	1,725,000	880,000	100%
		Ocean New Era	493,000	474,000	358,000	80%
			4,279,000	**3,638,000**	**2,875,000**	

Region	Cities	Projects	Approximate total GFA (sq.m.)	Approximate total saleable GFA (sq.m.)	Remaining Landbank (sq.m.)	Interest attributable to our Group (%)
Others	Changchun	Ocean Cannes Town	1,165,000	1,049,000	967,000	51%
	Chengdu	Sino-Ocean Taikoo Li Chengdu	417,000	348,000	417,000	50%
	Chongqing	Sino-Ocean International GOLF Resort	561,000	470,000	458,000	87.25%
	Fushun	Ocean City	1,390,000	1,355,000	1,287,000	65%
	Shenyang	Ocean Paradise	712,000	630,000	84,000	100%
		Ocean Residence	181,000	139,000	95,000	100%
	Wuhan	Ocean Manor	80,000	72,000	18,000	55%
		Ocean World	477,000	396,000	420,000	55%
			4,983,000	**4,459,000**	**3,746,000**	
Total			**28,707,000**	**23,404,000**	**21,353,000**	

We include in this Offering Circular the project names which we have used, or intend to use, to market our properties to which we have added references to their geographic location for the purposes of clarity. Some of the names for our property developments have not yet been approved by the relevant government authorities and may be subject to change.

The site area information for an entire project is based on either the relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. The aggregate GFA of a project includes saleable and non-saleable GFA, car parking spaces as well as rentable and hotel GFA. “Saleable GFA” represents the GFA of a property which we intend to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project. Saleable GFA does not include the GFA of car parking spaces unless otherwise stated. “Non-saleable GFA” represents the GFA of a property which is not for sale and largely includes ancillary facilities such as public facilities and schools. “Rentable GFA” refers to GFA that is available for rental proposes and “hotel GFA” refers to the total GFA of the relevant hotel.

The following information that appears in this Offering Circular is based on our internal records and estimates: (a) figures for GFA for completed projects held for sale, GFA under development, GFA for future development, GFA sold, GFA pre-sold, saleable GFA, non-saleable GFA, rentable GFA and hotel GFA, and (b) information regarding planned construction period and number of units. The information setting out the construction period for the completed blocks or phases of our projects in this Offering Circular is based on relevant government documents or our own internal records.

A property is sold when the purchase contract with a customer has been executed and the property has been delivered to the customer. A property is pre-sold when the purchase contract has been executed but the property has not yet been delivered to the customer.

Our Primary Property Development Projects

Beijing

POETRY OF RIVER (Beijing)

POETRY OF RIVER (Beijing) is a completed residential property development completed with a kindergarten and a whole range of educational, commercial and service facilities. It is situated at on the junction of the CBD and Tongzhou New Town, 8 km from the China World Trade Center and adjacent to the Tonghui River and the Guangqu Road extension under construction. This development occupies a total site area of approximately 363,000 sq.m. and has a total developable GFA of 793,000 sq.m.

Ocean Crown (Beijing)

Ocean Crown (Beijing) is planned to be a premium residential property development. It is situated at the Wangjing core business center in Chaoyang District. This development occupies a total site area of approximately 206,000 sq.m. and has a total developable GFA of 211,000 sq.m. We expect to complete the project in 2017.

Ocean Melody (Beijing)

Ocean Melody (Beijing) is planned to be a residential property development. It is situated at the Asian Olympic core center in Chaoyang District. The development occupies a total site area of approximately 15,000 sq.m. and has a total developable GFA of 57,000 sq.m. We expect to complete the project in 2017.

Ocean LA VIE (Beijing)

Ocean LA VIE (Beijing) is planned to be a premium residential property development. It is situated at the south end of the Central Villa Zone in Chaoyang District. This development occupies a total site area of approximately 227,000 sq.m. and has a total developable GFA of 318,000 sq.m. We expect to complete the project in 2016.

Ocean Manor (Beijing)

Ocean Manor (Beijing) is planned to be a residential property development. It is located at the Yabei Villa zone in Changping district. This development occupies a total site area of approximately 194,000 sq.m. and has a total developable GFA of 245,000 sq.m. We expect to complete the project in 2016.

The Place (Beijing)

The Place (Beijing) is a completed residential property development. It is located at south of Shuanghui Bridge, Chaoyang District. This development occupies a total site area of approximately 70,000 sq.m. and has a total developable GFA of 102,000 sq.m.

CBD Plot Z6 (Beijing)

CBD Plot Z6 (Beijing) is planned to be an office property development. It is adjoins Jinhe Road in east and South Jinhui Street in South. The development occupies a total site area of approximately 11,000 sq.m. and has a total developable GFA of 245,000 sq.m. We expect to complete the project in 2019.

CBD Plot Z13 (Beijing)

CBD Plot Z13 (Beijing) is planned to be an office property development. It is situated at the CBD at East 3rd Ring Road, Chaoyang District in Beijing. This development occupies a total site area of approximately 7,840 sq.m. and has a total developable GFA of 120,000 sq.m. We expect to complete the project in 2018.

Ocean Landscape Eastern Area E02/03 Project (Beijing)

Ocean Landscape Eastern Area E02/03 Project (Beijing) is an integrated retail, office and residential property development. It is situated at south-west side of the junction of Yuquan Road and Lugu Road at Shijingshan District, Beijing. This development occupies a total site area of approximately 24,000 sq.m. and has a total developable GFA of 101,000 sq.m. We expect to complete the project in 2014.

Ocean International Center Phase II (Beijing)

Ocean International Center Phase II (Beijing) is a high-end office and retail property development. It is situated near the northeast of Ciyunsi Bridge, at Chaoyang District in Beijing. This development occupies a total site area of approximately 17,600 sq.m. and has a total developable GFA of 88,000 sq.m. We expect to complete the project in 2014.

Tianjin

Ocean Prospect (Tianjin)

Ocean Prospect (Tianjin) is planned to be a residential property development. It is located at a "golden corridor" between the downtown area and Binhai New Area in Dongli District. This development occupies a total site area of approximately 166,000 sq.m. and has a total developable GFA of 320,000 sq.m. We expect to complete the project in 2015.

Ocean City (Tianjin)

Ocean City (Tianjin) is planned to be an integrated high-end residential and commercial property development. It is situated at the heart of the Binhai Development Zone in Tianjin. This development occupies a total site area of approximately 679,000 sq.m. and has a total developable GFA of 2,164,000 sq.m. We expect to complete the project in 2019.

Ocean Express (Tianjin)

Ocean Express (Tianjin) is planned to be an integrated retail, office and residential property development. It is situated in the Tianjin Port Free Trade Zone, Tianjin Airport Industrial Park, Binhai New Area. This development occupies a total site area of approximately 215,000 sq.m. and has a total developable GFA of 337,000 sq.m. We expect to complete the project in 2013.

Ocean Great Harmony (Tianjin)

Ocean Great Harmony (Tianjin) is planned to be a residential property development. It is located in the mature and high-end quarters in Meijiang, Xiqing District, Tianjin. This development occupies a total site area of approximately 130,000 sq.m. and has a total developable GFA of 361,000 sq.m. We expect to complete the project in 2015.

Ocean International Center (Tianjin)

Ocean International Center (Tianjin) is planned to be an integrated high-end retail, office, hotel and residential property development. It is situated near Beijing-Tianjin Intercity Railway Station and in Hedong District of Tianjin. This development occupies a total site area of approximately 96,000 sq.m. and has a total developable GFA of 322,000 sq.m. We expect to complete the project in 2017.

Royal River (Tianjin)

Royal River (Tianjin) is planned to be a residential property development. It is located at the Xiazhuzhuang Street, Wuqing District, Tianjin. The development occupies a total site area of approximately 266,000 sq.m. and has a total developable GFA of 112,000 sq.m. We expect to complete the project in 2015.

Dalian

Ocean Worldview (Dalian)

Ocean Worldview (Dalian) is planned to be a retail and residential property development. It lies along Binhai Avenue in the Dalian Development Zone. This development occupies a total site area of approximately 1,122,000 sq.m. and has a total developable GFA of 2,020,000 sq.m. We expect to complete the project in 2017.

Ocean Diamond Bay (Dalian)

Ocean Diamond Bay (Dalian) is planned to be a high-end residential property development. It is located on the north shore of Diamond Bay, in Ganjingzi District, Dalian. This development occupies a total site area of approximately 720,400 sq.m. and has a total developable GFA of 2,587,000 sq.m. We expect to complete the project in 2020.

Ocean Holiday Manor (Dalian)

Ocean Holiday Manor (Dalian) is planned to be a residential property development. It is close to the west end of Putaogou, Jinshi Beach, Tianjin. This development occupies a total site area of approximately 462,000 sq.m. and has a total developable GFA of 410,000 sq.m. We expect to complete the project in 2018.

Ocean MIDTOWN (Dalian)

Ocean MIDTOWN (Dalian) is a completed project which consists of integrated retail, residential and office properties. It is situated at No. 2, Jinma Road, Dalian Economic and Technological Development Zone. This development occupies a total site area of approximately 17,000 sq.m. and has a total developable GFA of 91,000 sq.m.

Ocean TIMES (Dalian)

Ocean Times (Dalian) is a completed retail and residential property development. It is situated at the university quarter in the Dalian Economic and Technological Development Zone in Dalian. This development occupies a total site area of approximately 272,000 sq.m. and has a total developable GFA of 563,000 sq.m.

The Palace of Glory (Dalian)

The Palace of Glory (Dalian) is planned to be a high-end residential property development. It is situated at the gateway to the north of Dalian and the core of Zhonghua Road Business District. This development occupies a total site area of approximately 228,800 sq.m. and has a total developable GFA of 933,000 sq.m. We expect to complete the project in 2017.

Sino-Ocean Technopole (Dalian)

Sino-Ocean Technopole (Dalian) is planned to be an office property development. It is situated at the west end of the Jinshi IT Park in the Dalian Economic and Technological Development Zone in Dalian. This development occupies a total site area of approximately 660,000 sq.m. and has a total developable GFA of 922,000 sq.m. We expect to complete the project in 2019.

Wyndham Grand Plaza Royale Sino-Ocean (Dalian)

Wyndham Grand Plaza Royale Sino-Ocean (Dalian) is planned to be a hotel and residential property development. It is situated at the southwest of Zhonghua Plaza in Ganjingzi District, Dalian. This development occupies a total site area of approximately 13,000 sq.m. and has a total developable GFA of 111,000 sq.m. We expect to complete the project in 2015.

Shenyang

Ocean Residence (Shenyang)

Ocean Residence (Shenyang) is a completed residential property development project which is completed. It is situated near Baishan Road, Yuhong District, Shenyang. This development occupies a total site area of approximately 71,000 sq.m. and has a total developable GFA of 181,000 sq.m.

Ocean Paradise (Shenyang)

Ocean Paradise (Shenyang) is planned to be an integrated residential, office, and retail property development. It is situated on Changbai Island in the Heping area along the south bank of the Hunhe River at Heping District, Shenyang. This development occupies a total site area of approximately 356,000 sq.m. and has a total developable GFA of 712,000 sq.m. We expect to complete the project in 2014.

Hangzhou

Grand Canal Milestone (Hangzhou)

Grand Canal Milestone (Hangzhou) is planned to be a residential property development. It is situated at the west end of Gongchen Bridge and adjacent to the Beijing-Hangzhou Grand Canal at Gongshu District, Hangzhou. This development occupies a total site area of approximately 85,000 sq.m. and has a total developable GFA of 208,000 sq.m. We expect to complete the project in 2016.

Ocean in your Heart (Hangzhou)

Ocean in your Heart (Hangzhou) is a residential property development. It is situated in the new urban centre in the eastern part of Hangzhou at Jianggan District. This development occupies a total site area of approximately 51,000 sq.m. and has a total developable GFA of 169,000 sq.m. We expect to complete the project in 2014.

Canal Business Center Project (Hangzhou)

Canal Business Center Project (Hangzhou) is planned to be an integrated high-end retail, hotel, office and residential property development. It is situated at the west end of Shangtang Road, along the Beijing-Hangzhou Canal and at the heart of the Canal Culture Scenic Area in Hangzhou, Zhejiang. This development occupies a total site area of approximately 199,000 sq.m. and has a total developable GFA of 923,000 sq.m. We expect to complete the project in 2017.

Zhongshan

Ocean New Era (Zhongshan)

Ocean New Era (Zhongshan) is planned to be an integrated residential and retail property development. It is situated in the town of Henglan in Zhongshan City. This development occupies a total site area of approximately 135,000 sq.m. and has a total developable GFA of 493,000 sq.m. We expect to complete the project in 2015.

Ocean City (Zhongshan)

Ocean City (Zhongshan) is planned to be a high-end integrated retail, office, hotel and residential property development. It is situated at the heart of the eastern part of Zhongshan city. This development occupies a total site area of approximately 985,000 sq.m. and has a total developable GFA of 2,089,000 sq.m. We expect to complete the project in 2015.

Qingdao

Ocean Seasons (Qingdao)

Ocean Seasons (Qingdao) is a residential and retail property development. It is situated near the Ocean urban municipal park in Laoshan District. This development occupies a total site area of approximately 32,000 sq.m. and has a total developable GFA of 146,000 sq.m. We expect to complete the project in 2014.

Ocean Prospect (Qingdao)

Ocean Prospect (Qingdao) is a completed residential property development. It is located at No. 712 Tongxing Road, Laoshan District of Qingdao. This development occupies a total site area of approximately 47,000 sq.m. and has a total developable GFA of 147,000 sq.m.

Ocean Honored Chateau (Qingdao)

Ocean Honored Chateau (Qingdao) is planned to be a residential property development. It is located at Quanzhou Road 5 in the southern area of the city at Shinan District. This development occupies a total site area of approximately 42,000 sq.m. and has a total developable GFA of 133,000 sq.m. We expect to complete the project in 2015.

Sanya

Tang Di Project (Sanya)

Tang Di Project (Sanya) is planned to be a high-end hotel property development. It is situated in the National Seashore Development Zone in Haitangwan Town of Sanya,. This development occupies a total site area of approximately 24,000 sq.m. and has a total developable GFA of 14,000 sq.m. We expect to complete the project in 2016.

Wuhan

Ocean World (Wuhan)

Ocean World (Wuhan) is planned to be a residential property development. It is located at No.868 Dongxi Lake District, Wuhan. This development occupies a total site area of approximately 275,000 sq.m. and has a total developable GFA of 477,000 sq.m. We expect to complete the project in 2017.

Ocean Manor (Wuhan)

Ocean Manor (Wuhan) is a completed high-end residential property development. It is situated at the Tangxun Lake in Wuhan Optical Valley at Jiangxia District, Wuhan. This development occupies a total site area of approximately 156,000 sq.m. and has a total developable GFA of 80,000 sq.m.

Qinghuangdao

Ocean Century (Qinhuangdao)

Ocean Century (Qinhuangdao) is planned to be an integrated high-end office, retail, hotel and residential property development. It is situated at Haigang District of Qinghuangdao, Hebei. This development occupies a total site area of approximately 411,000 sq.m. and has a total developable GFA of 1,481,000 sq.m. We expect to complete the project in 2020.

Huangshan

An Island Paradise (Huangshan)

An Island Paradise (Huangshan) is planned to be a residential property development. It is situated on the upper reaches of the river, near the Hengjiang Bridge, in the Tunxi district of Huangshan, Anhui. This development occupies a total site area of approximately 169,000 sq.m. and has a total developable GFA of 88,000 sq.m. We expect to complete the project in 2014.

Changchun

Ocean Cannes Town (Changchun)

Ocean Cannes Town (Changchun) is planned to be a residential property development. It is situated at Jingyue Economic Development Zone, Changchun. This development occupies a total site area of approximately 858,000 sq.m. and has a total developable GFA of 1,165,000 sq.m. We expect to complete the project in 2019.

Shanghai

Ocean Chanson Mansion (Shanghai)

Ocean Chanson Mansion (Shanghai) is planned to be a residential property development. It is situated at Yanghang Town of Baoshan District, Shanghai. This development occupies a total site area of approximately 138,000 sq.m. and has a total developable GFA of 368,000 sq.m. We expect to complete the project in 2015.

Ocean Mansion No.7 (Shanghai)

Ocean Mansion No.7 (Shanghai) is a completed property development consisting of integrated residential and retail properties. It is situated near Meilan Lake in Luodian New Town in Baoshan District, Shanghai. This development occupies a total site area of approximately 36,000 sq.m. and has a total developable GFA of 110,000 sq.m.

BOND CASTLE (Shanghai)

BOND CASTLE (Shanghai) is planned to be a high-end residential property development. It is situated at Meilan Lake of Baoshan District, Shanghai. This development occupies a total site area of approximately 151,000 sq.m. and has a total developable GFA of 192,000 sq.m. We expect to complete the project in 2016.

Haikou

Ocean Zen House (Haikou)

Ocean Zen House (Haikou) is planned to be a residential property development. It is located at the Yingbin Peninsula, the up-and-coming district in Haikou, Hainan. This development occupies a total site area of approximately 116,000 sq.m. and has a total developable GFA of 109,000 sq.m. We expect to complete the project in 2015.

Chongqing

Sino-Ocean International GOLF Resort (Chongqing)

Sino-Ocean International GOLF Resort (Chongqing) is planned to be a residential and retail property development. It is situated on the Nanshan Resource Belt near Yu'nan Avenue of Chongqing. This development occupies a total site area of approximately 374,000 sq.m. and has a total developable GFA of 561,000 sq.m. We expect to complete the project in 2017.

Shenzhen

Ocean Express (Shenzhen)

Ocean Express (Shenzhen) is planned to be an integrated office, retail, hotel and residential property development. It is situated at the commercial area of Longgang city center in Long District, Shenzhen. This development occupies a total site area of approximately 108,000 sq.m. and has a total developable GFA of 557,000 sq.m. We expect to complete the project in 2018.

Shengping Project (Shenzhen)

Shengping Project (Shenzhen) is a newly acquired project and is planned to be an integrated office, retail, hotel and residential property development. It is situated at Shengping Community in Longgang District, Shenzhen, Guangdong. This development occupies a total site area of approximately 57,000 sq.m. and has a total developable GFA of 391,000 sq.m. We expect to complete the project in 2019.

Zhenjiang

Ocean Beach (Zhenjiang)

Ocean Beach (Zhenjiang) is planned to be a residential and retail property development. It is situated at the junction of Guantangqiao Road and Guyang Road in Runzhou District, Zhenjiang, Jiangsu. This development occupies a total site area of approximately 355,000 sq.m. and has a total developable GFA of 899,000 sq.m. We expect to complete the project in 2016.

Fushun

Ocean City (Fushun)

Ocean City (Fushun) is planned to be a residential and retail property development. It is situated at the junction of Gaoshan Road and Jingyu Street, Shuncheng District, Fushun, Liaoning. This development occupies a total site area of approximately 1,343,000 sq.m. and has a total developable GFA of 1,390,000 sq.m. We expect to complete the project in 2019.

Chengdu

Sino-Ocean Taikoo Li Chengdu (Chengdu)

Sino-Ocean Taikoo Li Chengdu (Chengdu) is planned to be an integrated retail, office, hotel and residential property development. It is located at the South end of Daci Monastery Road, and east end of Shaomao Road, Jinjiang District, Chengdu. The development occupies a total site area of approximately 76,000 sq.m. and has a total developable GFA of 417,000 sq.m. We expect to complete the project in 2014.

Project Development

Although the nature and sequence of specific planning and execution activities will vary among projects, we have summarized below the core elements of our typical project development process for our properties for sale:

Project Selection	Land Bidding/ Tendering	Pre-construction	Project Design	Construction	Pre-sale and Sale	After-sale Services
• Gather land information • Formulate initial concept • Perform market research • Perform internal feasibility study • Perform internal assessment and approval	• Arrange for bidding/ tendering • Receive notice of successful bid/tender • Sign land contract • Obtain land use rights certificate (國有土地使用證)	• Obtain construction land planning permit (建設用地規劃許可證) • Obtain construction works planning permit (建設工程規劃許可證) • Obtain work commencement permit (建築工程施工許可證) • Obtain other relevant government approvals	• Schematic design • Construction design • Mechanical and electrical design • Interior design	• Commence construction • Monitor construction progress • Perform quality inspection • Maintain cost control	• Engage in marketing and promotion • Obtain commercial property pre-sale permit (商品房預售許可證) • Sign, notarize and register pre- sale contract and mortgage • Obtain completion and acceptance certificate (竣工驗收證明) • Obtain delivery certificate (where applicable) (交付使用許可證)	• Register and apply for unit ownership certificate (小產證) • Gather and process customer feedback • Perform customer information analysis • Regular customer visits and activities

Project Selection

In conjunction with our ongoing market and design research, we continuously work to identify and evaluate potential sites for projects. We have a development department dedicated to identifying potential projects. Our development department assesses land parcels for use in potential projects based on our analysis of, among other things:

- size, shape and location of the land parcel;
- local customer demand and expected growth of the city in which the land is located;
- transportation access and infrastructure support;
- project evaluation according to our internal pre-determined criteria;
- development prospects, taking into account social, economic and environmental effects;
- applicable zoning regulations and government preferential policies; and
- government development plans for the relevant site and the neighboring area.

Once our development department decides to acquire a piece of land, the development department generally prepares a feasibility report for approval by the Board.

Project Management

For each project company, we have established seven departments to support the development and management of our projects: our engineering, budgeting, sales, customer service, public utilities, design and finance departments. The manager of each department within the project company reports directly to the project general manager who in turn reports directly to the executive officers in our corporation.

Bidding/Tendering for Land

We bid and tender for land in accordance with relevant PRC laws and regulations. For details of the relevant laws and regulations, see "Regulation — Legal supervision relating to the property sector in the PRC."

Pre-construction

According to PRC regulations, once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that we need in order to begin the construction and sale of our properties. If the land use right is acquired by way of grant, the land grant contract will be a precondition to applications for the following permits and licenses:

- **land use rights certificate** (國有土地使用證). A certification of the right of a party to use a parcel of land;
- **construction land planning permit** (建設用地規劃許可證). A permit formally approving a developer to conduct the survey, planning and design of a parcel of land;
- **construction works planning permit (**建設工程規劃許可證). A certificate giving government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit (建築工程施工許可證);
- **construction permit** (建築工程施工許可證). A permit required for the commencement of construction; and
- **pre-sale permit** (商品房預售許可證). A permit authorizing a developer to start the pre-sale of property still under construction.

Financing of Projects

We finance our projects primarily through bank loans, internally generated cash flows, including proceeds from the pre-sale and sale of our projects, and capital raising transactions.

According to guidelines issued by the CBRC, no loan shall be granted to projects which have not obtained the relevant land use rights certificates (國有土地使用證), construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證) and construction permits (建設工程施工許可證). The guidelines also stipulate that not less than 35% of the total investment in a property development project must come from a real estate developer's own capital for the development project (項目資本金) in order for banks to extend loans to the real estate developer.

Pursuant to the "Notice on the Improvement of Differential Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)), all commercial banks are prohibited from extending new real estate property loans, or extending existing loans, to real estate developers that hold idle land, that have changed the use or status of land they hold, that have delayed the commencement date or completion date of construction, or that have delayed the launch of sales of property projects for speculative purposes.

Government authorities in China have issued various regulations to govern the financing of development projects. See "Regulation".

Our policy is to finance our property developments with internal resources to the extent practicable in order to reduce the level of external funding required. As at December 31, 2013, our outstanding borrowings from banks amounted to RMB35,295 million.

Project Design

We contract out the project design work for our property developments to a number of established architectural and interior design firms which are selected through a tender process. All of these architectural and interior design firms are independent third parties. To ensure that the project design of each of our development projects reflects the positioning of our products, we also have an internal design team that strictly controls and monitors the design work of our external design firms.

Construction

Construction of our projects usually proceeds phase by phase or block by block as part of our financial management and marketing strategy. Different general contractors may be selected to carry out construction of different phases or blocks in a development, a practice which we consider enables us to better control construction quality, time and cost.

According to the "PRC Tender Law" (《中華人民共和國招標投標法》(主席令第21號)), which became effective on January 1, 2000, and the "Rules on the Tender Scope and Criteria for Construction Projects" (Order of NDRC No. 3) (《工程建設項目招標範圍和規模標準規定》(國家發展計劃委員會令(第3號)), the selection of construction companies with respect to certain construction projects must be carried out using a bidding process. We follow laws and regulations on bidding, the application of which depends on the size of the contract, and we seek to engage reputable contractors and suppliers. We conduct detailed due diligence work on the contractors during the bidding process before offering the construction contracts to them. We typically examine the track record, industry reputation, qualification certificates and other information that are required as part of the bidding process to evaluate the suitability of the contractors who submit bids for our construction contracts.

Our standard construction contracts typically provide for a fixed or a guaranteed maximum price payable by us and include express terms on construction schedule. The construction contracts contain warranties from the contractors in respect of the quality and timely completion of the construction. In the event of delay or poor quality of work, the contractor may be required to pay pre-agreed damages under the relevant construction contract. We require our contractors to comply with PRC laws and regulations on the quality of construction projects, as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports.

Our construction contracts generally provide for progressive monthly payments throughout the construction progress. The remaining balance, except for 5% of the contract sum which we withhold for two years after completion to apply against any expenses incurred as a result of any construction defects, is payable upon satisfactory completion of work. Upon the expiry of the two-year retention period, the balance of the retention amount is paid to the contractor. We have not had any incidences where the retention amount is less than the amount we have to pay for the defects as at the date of this Offering Circular.

We are not responsible for any labor problems of our contractors. As to our risk in relation to environmental, social and safety problems due to non-compliance with applicable PRC laws by the contractors, we may be held responsible for such problems but our construction contracts provide that we may seek indemnification from the contractors for the resulting damages.

We hire professionals in various areas to supervise and manage project quality and construction. We also engage independent engineering supervisory companies to conduct quality and safety control checks on all projects.

Quality Control and Construction Supervision

We are required to engage independent engineering supervisory companies to conduct quality and safety control checks on all building materials, equipment and construction. In addition, we also employ professionals, including designers, quantity surveyors, construction engineers, electrical engineers and water and heat engineers to carry out the functions of quality control and construction supervision for our project companies. We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of a high quality. We require our functional departments, project companies and our construction supervisors to strictly follow these procedures. As part of our quality control procedures, we seek to engage reputable design and construction companies. We obtained ISO 9000 certification in recognition of our quality control in December 1997 and we have successfully renewed this certification each year since.

We directly purchase major building materials, especially those affecting product quality. We do not own any construction equipment and do not maintain any inventory of building materials since the delivery of the building materials are generally scheduled to be on the same day as the installation date. To maintain quality control, we hire independent supervisory companies to inspect the equipment and materials used in our projects to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. Our in-house project management team works closely with the independent supervisory company during quality control and assessment. We reject materials which are below standard or that do not comply with our specifications and return them to the suppliers.

To ensure quality and monitor the progress and workmanship of construction, each project has its own on-site project management team, which comprises qualified engineers led by our project controller. In addition, each of the projects has a construction controller who is responsible for the supervision of the construction of our properties and ensures that our properties meet a specified standard upon completion. The on-site project management team submits a monthly report on the appraisal and inspection of the quality of the work of the supervisory unit and the construction unit. In addition, prior to handing over a property to our customers, our sales and customer service departments, together with our engineers and the relevant property management company, will inspect the property. If our sales and customer service departments find any aspect of our property developments to be unsatisfactory, our sales and customer service departments will record the finding and take immediate action to cure the defect.

According to the provisions of the Regulation on the "Quality Management of Construction Projects" (Order of State Council No. 279) (《建設工程質量管理條例》(國務院令第279號)), the quality supervision authority of construction projects engaged by the construction administrative department or relevant government authorities shall supervise and manage the quality of the completed projects upon the completion and acceptance of projects.

Pre-sale

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" "Urban Real Estate Law" (《中華人民共和國城市房地產管理法》) and the "Administrative Measures governing the Pre-sale of Urban Real Estate" ("Pre-Sale Measures") (《城市商品房預售管理辦法》), the following conditions must be fulfilled before the pre-sale of a particular property can commence:

- the land use right grant premium must be paid in full and the land use rights certificate must have been obtained;
- the construction works planning permit and the construction permit must have been obtained;
- the funds contributed to the development of the project shall amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and
- the pre-sale approval must have been obtained.

Certain local governments such as those of Shanghai and Tianjin have raised additional requirements for pre-sale of residential housing. See "Regulation".

We have complied with the relevant statutory requirements for pre-sale, including, but not limited to, requiring all project companies to use a standard pre-sale contract in the form stipulated by the PRC government.

Sales and Marketing

We adopt a variety of measures to promote our properties to potential customers, including advertising through outdoor media, print media and the internet, as well as sponsoring performances and holding entertainment activities for the public. We target a broad base of customers with varied income levels and backgrounds. We have both individual and corporate clients from China as well as from abroad. Most of our customers are local customers. We own two real estate brokerages, Beijing Sino-Ocean Jiaye Real Estate Brokerage Co., Ltd. and Beijing Sino-Ocean Property Management, through which we sell and rent our properties. Beijing Sino-Ocean Jiaye Real Estate Brokerage Co., Ltd. is owned as to 38.25%, 36.75% and 25.00% by Sino-Ocean Land Limited ("SOLL"), Beijing Yuankun and Shing Kai International Investment Limited, respectively, and Beijing Sino-Ocean Property Management is owned as to 60%, 15% and 25% by SOLL, Beijing Yuankun and Shing Kai International Investment Limited, respectively.

Our property management subsidiaries also provide professional property consulting advice and extensive after-sales services. See "Rental Properties and Property Management" below. We also provide customers of our residential developments with a membership to our exclusive Ocean Club, which offers members discounts at various retailers, supermarkets and restaurants in various cities and discounts towards future purchases of our properties. We believe that these measures increase public interest in our properties.

Handover

In relation to our properties for sale, after construction is completed, we are required to obtain a certificate of completion (竣工驗收證明) and other government certificates before we are able to hand over the properties to our customers. As at the date of this Offering Circular, no incidences have occurred where we had to compensate customers for delays in completing deliverables.

Payment and End-user Financing

With respect to both pre-sales and sales, our purchasers can choose either payment by installments, lump sum payments, bank loans or a loan from the administration authority for the housing accommodation fund.

In line with market practice, we have arrangements with various banks for the provision of mortgage facilities to our purchasers and we provide guarantees for these mortgages generally until completion of construction and the relevant property ownership certificates are lodged with the relevant banks. As at December 31, 2013, the outstanding guarantees of the mortgage loans was RMB5,733 million.

Independent credit checks are conducted by the relevant bank in accordance with their own internal policies. See "Risk Factors — Risks Relating to our Business — We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial condition could be adversely affected".

Rental Properties and Property Management

Investment Properties

Our investment property portfolio mainly consists of high-end office buildings, large-scale commercial complex and self-branded retail malls.

As of December 31, 2013, we had leased out properties in the following investment property projects: Ocean Plaza (Beijing), Ocean International Center Block A (Beijing), Ocean Office Park (Beijing), Ocean We-Life Plaza (Beijing), Ocean We-Life Plaza (Tianjin) and Ocean Express (Beijing) Carparks. The rental income from the investment properties was RMB340 million, RMB414 million and RMB550 million for the years ended December 31, 2011, 2012 and, 2013, respectively.

As of December 31, 2013, the investment properties retained by us for rental purposes include offices, car parking spaces and retail units, with a total leasable area of approximately 521,000 sq.m.. The total leasable area in respect of office and retail were 231,000 sq.m. and 174,000 sq.m., respectively.

In addition, we have a number of commercial properties in development located in Beijing, Chengdu, Tianjian, Dalian, Hangzhou, Changchun, and Zhongshan as of December 31, 2013. We expect to hold these properties for long-term rental purposes. We may also decide to sell them after the projects are completed.

In selecting tenants for our properties, we consider whether the profile of our tenants fit into the overall theme of the development projects and we also try to attract commercial tenants that are able to provide expertise in retail management as well as those who could help us promote the image of our rental properties. We also assess whether the tenants have the financial means to sustain long-term rental.

Property Management

Residential projects developed by us and investment properties held by us are managed by our property management companies. We also hire reputable international property management companies, including DTZ Debenham Tie Leung Limited, to provide advisory services. We do not have an internal property management team through which we provide property management services to our customers.

The property management services include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and rental agency services. The typical property management contract entered into by our property management companies and the owners of the properties sets out the scope and the quality requirements of the services provided by our property management companies. We prepare maintenance and renovation plans for the properties and public facilities that we manage. We are not permitted by law to assign the management duties in their entirety to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. The property management contracts also set out the management fee arrangements. The property management service fee is paid on an annual basis.

Under PRC law, owners have a right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-commercial area of the building. As at the date of this Offering Circular, our property management companies had not been dismissed from the management of any properties.

For the years ended December 31 2011, 2012 and 2013, our revenue from the provision of property management services amounted to RMB377 million, RMB453 million and RMB591 million, respectively. A total GFA of 7.2 million sq.m., 9.5 million sq.m. and 11.2 million sq.m., respectively, were covered by our property management services as at December 31, 2011, 2012 and 2013.

Financial Risk Management

We aim to enhance our financing flexibility by actively managing our contracted sales proceeds, increasing the rate of cash receipts from contracted sales, centralizing our fund management and leverage our multiple funding channels. By implementing systematic project planning, strengthening our comprehensive budget management, tightening control over our costs and expenses as well as centralizing our pricing management, we aim to further increase our profit margins amid market competition. We also manage our gearing level and aim to lower our financing costs by controlling our interest-bearing debt and our total assets, optimizing our debt structure and leveraging the support by our major Shareholders. We also have what we believe to be prudent financial policies and dividend policies, typically with a dividend payout ratio of above 20%.

Suppliers and Customers

Our five largest customers combined accounted for less than 30% of our total sales in the years ended December 31, 2011, 2012 and 2013. Our five largest suppliers combined accounted for less than 30% of our total purchases in the same years.

Competition

Our existing and potential competitors include major domestic State-owned and private developers and foreign funded real estate developers (including leading developers listed in Hong Kong) who focus on the high-end and/or upper mid-tier property markets in China. Competitive factors include the size of land bank, the geographical location, the types of properties offered, brand recognition by customers, creditworthiness, price and design quality. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets.

We believe that through our experience in developing large scale, high quality properties and our in-depth understanding of the Chinese real estate market, we will be able to react more quickly when competing with these property developers to identify and secure desirable opportunities.

Intellectual Property

Our intellectual property forms an integral basis for our strong brand recognition and is important to our Company’s business and profitability. We have several registered trademarks in the PRC and we also hold licenses to use the “Sino-Ocean” brand.

Under Hong Kong and PRC law, a registered trademark owner has exclusive rights in the registered trademark. Any unauthorized use of a registered trademark (unless such use constitutes "fair use" as defined by law) will constitute infringement of the trademark owner's exclusive right.

We have not infringed the intellectual property rights of other parties and have not identified any instances of third parties infringing our intellectual property rights.

Insurance

Our contractors maintain all risks and third party insurance policies for all our properties under construction. We do not maintain insurance policies for properties that have been delivered to our customers. Instead, the relevant management companies will maintain all risks property insurance and public liability insurance for common areas and amenities of these properties. We also maintain, on a voluntary basis, personal accident insurance and supplementary commercial medical insurance for our employees.

Employees

As at December 31, 2013, we had 6,894 full-time employees. The following table shows a breakdown of employees by function as at December 31, 2013:

Division	Number
1. Senior management	9
2. Sales and marketing	451
3. Human resources and administration	169
4. Finance and strategic development	470
5. Others	5,795

All of our employees are employed under employment contracts. We review the performance of our employees once a year, the results of which are used in his or her annual salary review and promotion appraisal.

All of our employees are considered for an annual bonus based on various performance criteria and their assessment results. Commissions are provided to our sales personnel.

We review our staff remuneration packages every year. We conduct research on remuneration packages offered to similar positions in our industry which we believe allows us to remain competitive in the labor market.

We incurred staff costs (including Directors' emoluments) of approximately RMB952 million, RMB1,288 million and RMB1,022 million for the years ended December 31, 2011, 2012 and 2013 representing 4.78%, 4.49% and 3.29% of our revenue for those periods, respectively.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. Each of our property developments is required to undergo environmental assessments and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of property development. On the completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record. We believe that our operation is in compliance with currently applicable national and local environmental and safety regulations in all material respects.

Legal Proceedings

As at the date of this Offering Circular, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition. We also do not have any material claims or lawsuits with our contractors.

Directors

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of the Board:

Name	Age	Position
LI Ming	50	Chairman, Executive Director and Chief Executive Officer
YANG Zheng	44	Non-executive Director
FANG Jun	46	Non-executive Director
CHUNG Chun Kwong, Eric	52	Non-executive Director
LIU Hui	44	Executive Director
CHEUNG Vincent Sai Sing	33	Executive Director
CHEN Runfu	49	Executive Director
WEN Haicheng	45	Executive Director
TSANG Hing Lun	64	Independent Non-executive Director
GU Yunchang	69	Independent Non-executive Director
HAN Xiaojing	59	Independent Non-executive Director
ZHAO Kang	65	Independent Non-executive Director

Executive Director and Chief Executive Officer

Mr. LI Ming, aged 50, joined us as General Manager in 1997 and became our Chief Executive Officer in 2006 and our Chairman in 2010, and is the Chairman of the Investment Committee and the Nomination Committee. With extensive experience in corporate governance, property development and property investment, Mr. Li is primarily responsible for our Company's overall management and strategic planning. Before joining us, Mr. Li held a senior management position in the COSCO Group. Mr. Li has been appointed a non-executive director, honorary chairman of the board and chairman of the nomination committee of Gemini Investments (Holdings) Limited ("Gemini"), an indirect subsidiary of the company listed on the Hong Kong Stock Exchange. Mr. Li obtained a Bachelor's degree in Motor Vehicle Transportation from the Jilin Industrial University in July 1985 and an Executive Master of Business Administration degree from the China Europe International Business School in May 1998. He is a senior engineer. Mr. Li is currently a member of the People's Congress of the Chaoyang District of the Beijing Municipality and Vice President of the China Real Estate Association. Mr. Li has won various nationwide awards and was conferred such titles as "Influential Person of the Chinese Real Estate Industry", "Leader of Brand Name Real Estate Developers in China", "Top Ten Outstanding Persons in the Beijing Real Estate Industry", "Top Ten Entrepreneurs of the Chinese Commercial Real Estate Industry" and "Top Ten Leaders in the Real Estate Industry Changing Cities and Influencing China".

Non-executive Directors

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

Mr. FANG Jun, aged 46, a member of the Nomination Committee, joined us in May 2014. He is a senior economist. He joined China Life in May 2002 and served as a general manager assistant of the Equity Management Department and a general manager assistant and a deputy general manager of the Asset Management Department, until he was promoted to general manager of the

Investment Management Department in February 2011. He is also a director of China Life Investment Holding Company Limited, a non-executive director of CITIC Securities Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange), a director of Shanghai Lujiazui Finance & Trade Zone United Development Co. Limited, a director of Hui Xian Holdings Limited and a director of Bohai Industrial Investment Fund Management Co., Ltd. He was granted a bachelor 's degree in laws from Renmin University of China in 1991 and a master 's degree in laws and a doctorate degree in management from the graduate school of Chinese Academy of Social Sciences in 1996 and 1999, respectively. Mr. Fang was nominated by China Life.

Mr. CHUNG Chun Kwong, Eric, aged 52, a member of the Audit Committee, joined us in May 2014. He is the managing director of the Nan Fung Group. In this role at Nan Fung Group, he is responsible for the Finance and Investment Division, covering the accounting, finance and investment functions of the Nan Fung Group. Mr. Chung brings with him extensive experience in the property, banking and investment markets, having spent thirty years in these industries in Canada and Hong Kong. Mr. Chung is also a chairman and non-executive director of Forterra Trust, a business trust listed on Singapore Exchange Securities Trading Limited since 2013, which is an owner, manager and developer of commercial real estate in China. Mr. Chung graduated from the University of Hawaii with a bachelor's degree in business administration in 1983. Mr. Chung is a chartered financial analyst. Mr. Chung is nominated by Spring Glory Investment Limited, which is a member of Nan Fung Group.

Executive Directors

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

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

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

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

Independent Non-executive Directors

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

Mr. GU Yunchang, aged 69, a member of the Audit Committee, the Remuneration Committee, and the Nomination Committee, joined us in June 2007. He joined the Ministry of Construction in 1979 and has over 30 years' experience in market theory and policy research, including research and analysis of the PRC property market. In 1983, he was appointed as secretary-general of the China Residential Property Issues Research Institute and held this position for 10 years. Between 1986 and 1998, Mr. Gu participated in the research and formulation of the national housing policy reform and, in 1998, served as one of the main draftsmen for the national housing reform program in the PRC. He has participated in state level research projects such as "2000 China" (2000年中國) and "National Xiaokang Residential Property Technological Industry Project" (小康住宅科技產業工程). He has twice been awarded the First Class National Science Technology Advance Award in China. Mr. Gu served as Vice president and secretary-general of the China Real Estate Association from August 1998 to March 2006, vice-chairman of the China Real Estate Association Research in 2006, and executive chairman of China Real Estate Chamber of Commerce Alliance (中國房地產商會聯盟) in May 2013. He is also the main organizer and writer of the China Real Estate Market Report, an annual report issued by the China Real Estate Association. Mr. Gu currently also serves as an independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in the USA. He has also been serving as an independent non-executive director of COFCO Property (Group) Co., Ltd., a company listed on the Shenzhen Stock Exchange, since April 23, 2012 and CIFI Holdings (Group) Co. Ltd., a company listed on the Hong Kong Stock Exchange, since November 2012 and as an independent director of Yasha Decoration Co., Ltd, a company listed on the Shenzhen Stock Exchange, since 23 April 2013. Mr. Gu retired as an independent non-executive director of Shimao Property Holdings Limited, a company listed on the Hong Kong Stock Exchange on May 12, 2011.

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

Mr. ZHAO Kang, aged 65, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, joined us in June 2007. After graduating from the Department of Construction at the Tsinghua University in December 1975, he became a deputy chief of the planning division of Beijing Huairou District Construction Bureau in January 1976, and joined the Beijing Municipal Construction Committee in May 1978. In May 1983, Mr. Zhao joined the Beijing First and Second Urban Development Corporation as deputy general manager and, in 1987, became assistant to the general manager and deputy general manager of Beijing Urban Development Group Company (北京城市發展總公司). He became a general manager and chairman of Beijing Urban Development (Group) Co., Ltd. in April 1994. Mr. Zhao was the chairman of Beijing National Olympics Investment Company Limited (北京國奧投資有限公司) from 2005 to 2012, in charge of the development of the Beijing Olympics Village and the National Gymnasium in Beijing. He was a member of the Tenth and Eleventh sessions of the Beijing Committee of the Chinese People's Political Consultative Conference of the Beijing municipality. Mr. Zhao was an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange in the PRC.

Senior Management

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

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

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

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

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

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

Mr. LAM Tsz Kin, aged 33, is the Company Secretary of the Company and the Financial Controller of Sino-Ocean Land (Hong Kong) Limited, a wholly-owned subsidiary of the Company. Mr. Lam joined the Group in January 2008. With extensive experience in corporate finance and accounting, Mr. Lam is mainly responsible for financial management, corporate financing, market research and analysis, corporate governance and investor's relationship of the Company. Mr. Lam studied at The University of Texas at Austin in 2001 through a cultural exchange program and obtained a Bachelor of Business Administration from Hong Kong University of Science & Technology in December 2002. He has further obtained an Executive Master of Business Administration (EMBA) from Tianjin University in December 2012. Mr. Lam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of the CFA Institute, a member of the Global Association of Risk Professional (GARP) and a fellow member of The Taxation Institute of Hong Kong. Mr. Lam has also served as a director of a number of subsidiaries of the Company.

Board Committees

Audit committee

We established an audit committee on September 3, 2007. The audit committee consists of five members, being three independent non-executive Directors, namely, Messrs. Tsang Hing Lun, Gu Yunchang and Zhao Kang, and two non-executive Directors, namely, Messrs. Yang Zheng and Chung Chun Kwong, Eric. The chairman of the audit committee is Mr. Tsang Hing Lun.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Company, nominate and monitor external auditors and provide advice and comments to our Directors.

Nomination committee

We established a remuneration and nomination committee on September 3, 2007 which was subsequently restructured and divided into the nomination committee and the remuneration committee in May 2012. The nomination committee currently consists of five members, comprising Messrs. Li Ming, Fang Jun, Gu Yunchang, Han Xiaojing and Zhao Kang. The chairman of the nomination committee is Mr. Li Ming. The primary functions of the nomination committee are to review the structure, size and composition of the Board regularly and make recommendations on any proposed changes to the Board, nominate Directors and engage senior management.

Remuneration committee

We established a remuneration and nomination committee on September 3, 2007 which was subsequently restructured and divided into the nomination committee and the remuneration committee in May 2012. The remuneration committee currently consists of three members, comprising Messrs. Han Xiaojing, Gu Yunchang and Zhao Kang. The chairman of the remuneration committee is Mr. Han Xiaojing. The primary functions of the remuneration committee are to evaluate performance and make recommendations on the remuneration packages of our Directors and senior management, to evaluate and make recommendations on our retirement scheme and our performance assessment system and bonus and commission policies.

Investment committee

We established an investment committee on September 3, 2007. The investment committee consists of four members, being Mr. Li Ming, Ms. Liu Hui, Mr. Cheung Vincent Sai Sing and Mr. Tsang Hing Lun. The chairman of the investment committee is Mr. Li Ming. The primary functions of the investment committee are to review the Group's investment stategy and to examine and make decisions with respect to major investments.

Retirement Schemes

Our employees in the PRC participate in a State-managed retirement pension scheme operated by the relevant local municipal government. The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees. Our only obligation in respect of the retirement pension scheme is to contribute to the scheme at a certain rate of overall payroll expenses. Such rate is prescribed by the government of each of the provinces, autonomous regions or municipalities directly under the central government and may vary in different cities.

Compensation of Directors and Senior Management

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our Company's contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including salaries, allowances and other benefits and contributions to pension schemes) which were paid to our Directors for the years ended December 31, 2011, 2012 and 2013 was approximately RMB25 million, RMB37 million and RMB28 million, respectively.

The aggregate amount of remuneration (including salaries, allowances and other benefits and contributions to pension schemes) which were paid by our Group to our five highest paid individuals for the years ended December 31, 2011, 2012 and 2013 were approximately RMB62 million, RMB54 million and RMB38 million, respectively.

During the same period, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the three years ended December 31, 2013 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. Two non-executive Directors waived their director's fees for the years ended December 31, 2011, 2012 and 2013, in aggregate amounting to RMB0.3 million, RMB0.5 million and RMB0.5 million in those years, respectively.

Interests of Directors and chief executives in shares and underlying shares and debentures

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

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

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

Notes:

(i) The share options were granted pursuant to the share option scheme of the Company, the details of which are set out in the paragraph headed "Share Option Scheme" of 2013 Annual Report.

(ii) The restricted shares were granted pursuant to the restricted share award scheme of the Company, the details of which are set out in the paragraph headed "Restricted Share Award Scheme" of 2013 Annual Report.

(iii) The 127,951,178 shares are held by a discretionary trust of which Mr. LI Ming is the founder.

(iv) The 2,087,645 shares are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.

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

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

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

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

RELATED PARTY TRANSACTIONS

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between our members and its related parties during the years ended December 31, 2011, 2012 and 2013.

(a) Sales of services

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Provision of services (i):			
— A shareholder	—	54,641	37,106
— A joint venture	242,245	89,765	18,774
— An associate	1,439	159,390	119,573
	243,684	303,796	175,453

(i) Sales of services mainly represent construction services, the terms of which are entered into with related parties in accordance with the terms of agreement.

(b) Key management compensation

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries and other short-term employee benefits	69,699	56,832	32,719
Post-employment benefits	7,131	6,216	3,458
Other long-term welfare	3,066	2,672	1,081
Share-based payments	19,525	42,853	35,739
	99,421	108,573	72,997

(c) Year-end balances arising from sales of properties and services

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Receivables from related parties:			
— An associate	6,547	1,199	615
— Joint ventures	20,294	27,221	10,951
	26,841	28,420	11,566
Advance receipts from related parties:			
— An associate	190	338	33,382
— Shareholder	—	—	436
— Joint ventures	11,399	85,656	38
	11,589	85,994	33,856

(d) Interest income

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest received:			
— An associate	18,767	4,721	16,046
— Joint ventures	533	118	3,426
	19,300	4,839	19,472

(e) Gain from related parties

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Gains on disposal of partial interest in an associate to a subsidiary of a shareholder [(i)]	—	20,333	—

(i) In April 2012, the Group disposed of partial interest of an associate to a subsidiary of a shareholder, for cash consideration or RMB141,000,000.

(f) Loans to related parties

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Joint ventures:			
At 1 January	817,356	25,000	—
Loans advanced during the year	389,400	19,020	198,500
Loans repayments received	(25,000)	(44,020)	—
Interest charged	(533)	(118)	(3,426)
Interest received	533	118	3,426
At 31 December	1,181,756	—	198,500
An associate:			
At 1 January	337,239	415,771	398,306
Loans advanced during the year	484,344	438,076	2,212,846
Loans repayments received	(342,359)	(455,541)	(2,099,152)
Interest charged	(18,767)	(4,721)	(16,046)
Interest received	18,767	4,721	16,046
At 31 December	479,224	398,306	512,000

(g) Amounts due from related parties

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Joint ventures:			
At 1 January	—	1,156,756	1,031,333
Amounts advanced during year	—	406,577	377,112
Repayments during year	—	(532,000)	(234,900)
At 31 December	—	1,031,333	1,173,545
An associate:			
At 1 January	—	63,453	219,285
Amounts advanced during year	—	174,522	562,360
Repayments during year	—	(18,690)	(412,528)
At 31 December	—	219,285	369,117

(h) Advances from related parties

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
A shareholder:			
At 1 January	1,724,493	—	—
Loans advanced during year	—	—	609,690
Loans repayments during year	(1,724,493)	—	—
Interest charged	247,545	—	48,506
Interest paid	(247,545)	—	(48,506)
At 31 December	—	—	609,690

PRINCIPAL SHAREHOLDERS

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

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

Notes:

(i) The 2,113,537,911 shares were registered in the name of, and beneficially owned by, China Life. China Life (Group) was interested in 68.37% of China Life. China Life (Group) was deemed to be interested in these shares by virtue of the SFO.

(ii) Ms. Chen held a long position in 1,601,327,956 shares of the Company comprising:

(a) 1,526,769,821 shares held under the estate of Mr. Chen Din Hwa of which Ms. Chen is one of the Executors as detailed in note (iii) below; and

(b) 74,558,135 shares were beneficially owned by Gentfull Investment Limited. Gentfull Investment Limited was wholly-owned by Nan Fung Resources Limited. Nan Fung Resources Limited was wholly-owned by Crosby Investment Holdings Inc., which in turn was wholly-owned by Ms. Chen.

(iii) The Executors held a long position in 1,526,769,821 shares of the Company comprising that 1,393,759,104 shares and 133,010,717 shares were beneficially owned by Spring Glory Investment Limited and Gavast Estates Limited respectively. Both Spring Glory Investment Limited and Gavast Estates Limited were wholly-owned by Keymark Associates Limited. Keymark Associates Limited was wholly-owned by Golden Anchor Holdings Limited. Golden Anchor Holdings Limited was wholly-owned by Nan Fung Group Holdings Limited. Nan Fung Group Holdings Limited was wholly-owned by Nan Fung. Nan Fung was wholly-owned by Chen's Group International Limited, which was in turn 100% held by the Executors of the estate of the late Mr. Chen Din Hwa. The Executors are comprised of Ms. Chen, Ms. Lee Pui Ling Angelina, Ms. Chow Suk Han Anna and Mr. Wong Wai Pat.

(iv) The 368,378,907 shares and 87,677,876 shares were registered in the name of, and beneficially owned by Crystal Will Holdings Limited and Grand Wave Enterprises Limited respectively. Both of Crystal Will Holdings Limited and Grand Wave Enterprises Limited were wholly-owned by Wharf China Development Limited. Wharf China Development Limited was wholly-owned by Wharf China Holdings Limited. Wharf China Holdings Limited was wholly-owned by The Wharf (Holdings) Limited. WF Investment Partners Limited was interested in 43.01% of The Wharf (Holdings) Limited. WF Investment Partners Limited was wholly-owned by Wheelock Investments Limited. Wheelock Investments Limited was wholly-owned by Wheelock and Company Limited. HSBC Trustee (Guernsey) Limited was interested in 48.98% of Wheelock and Company Limited. HSBC Trustee (Guernsey) Limited was deemed to be interested in these shares by virtue of the SFO.

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

Set forth below are certain details regarding our relationships with certain of our principal shareholders.

Our Relationship with China Life

China Life, our largest shareholder, is one of the largest life insurance companies globally, and is the only Chinese financial institution listed in Shanghai, Hong Kong and New York. China Life had approximately RMB1.8 trillion of investment assets as of December 31, 2013. China Life is rated AA-, A1 and A+ by the three international credit rating agencies, S&P, Moody's and Fitch, respectively, reflecting their recognition of China Life's outstanding business and operating capacity.

China Life held 29.02% of our issued share capital as at December 31, 2013. China Life has been our shareholder since 2009 and became our largest shareholder in 2011. China Life has been actively participating in the management of our business and has appointed one executive director and two non-executive directors to our Board of Directors. Further, China Life has provided significant capital and business support to us.

China Life has provided a non-binding letter of support and a non-binding equity interest purchase undertaking. In addition, China Life Insurance (Group) Company, the holding company of China Life, and our Company have signed a non-binding memorandum of understanding "Memorandum to Effectively Achieve the Synergistic Effect of Sino-Ocean Land and China Life Insurance". The major terms of the letter and memorandum are set below:

1. The Company is intended to serve as China Life's professional platform for alternative investment.
2. Subject to government policies and economic feasibility, China Life should leverage the strengths of its insurance funds to support the Company, via equity, debt or other methods, to enhance the financial strength of the Company and help it achieve sustainable development.
3. Subject to government policies and economic feasibility and subject to guarantee or other credit enhancement structures and relevant regulations, China Life intends to actively explore opportunities to cooperate with the Company in the real estate sector, including debt investment, equity investment, investment in properties, as well as setting up joint venture companies or funds.
4. Subject to relevant regulations, the investment subsidiaries of China Life will cooperate with the Company to jointly explore real estate investment opportunities, including joint land acquisition, cooperative development, joint acquisition and joint ownership of commercial real estate projects.
5. When China Life considers acquiring office buildings for its own use, priority will be given to the projects developed by the Company that fulfill China Life's requirements.
6. So long as China Life remains the largest shareholder of the Company, China Life will monitor, through the Board of Directors, the Company's capacity to service its debt, including principal and interest in each quarter.

The documents mentioned above do not constitute any legally binding commitment of China Life, and the execution and delivery of the above documents do not represent the undertaking by China Life of any legally binding obligation, liability, guarantee or warranty; nor does the document constitute a keepwell agreement or equity interest repurchase undertaking. Implementation of any specific matters referred to in the documents must be (i) in compliance with all applicable laws and regulations of the relevant authorities of the PRC and (ii) subject to the receipt of specific approvals and/or consents (if required) by relevant authorities, including the internal authorities of China Life, independent shareholders' meetings and the China Insurance Regulatory Commission, and separate agreements will be entered into by the relevant parties with respect to specific matters.

China Life Trustees Limited, which is an affiliate of China Life (our largest shareholder), has subscribed for an aggregate principal amount of US$300 million of the 2024 Notes.

Our Relationship with Nan Fung

Nan Fung became our shareholder following a share purchase from COSCO International Holdings Limited in December 2010. It is currently our second largest shareholder and held 20.97% of our shares as at December 31, 2013. Nan Fung appointed one of our current executive directors and one of our current non-executive directors.

Nan Fung was established in 1954 and was formerly one of the largest textile enterprises in the world. It is currently one of the largest integrated real estate developers in Hong Kong. Its business activities include real estate development, construction, property management, shipping, investment, financing and asset management. Nan Fung is rated BBB, Baa3 and BBB- by Fitch, Moody's and S&P, respectively. Nan Fung is also an investor in the PRC property market, with investments in Beijing, Shanghai, Wuxi, Tianjin, Guangzhou and Sanya.

In a non-binding letter of support provided for our Company, Nan Fung expressed its support to us in the following manner:

1. Nan Fung's shareholding investment in the Company is strategic, and it is of the view that the financial soundness of the Company is important to Nan Fung.

2. With its participation on our Board of Directors and/or its committees, Nan Fung will provide its opinions and guidance to the Company.

3. Subject to relevant rules and regulations, Nan Fung will look for cooperation opportunities with the Company and aims to achieve a mutually beneficial relationship with the Company.

Legal supervision relating to the property sector in the PRC

A. Establishment of a property development enterprise

Pursuant to the "Law of the People's Republic of China on Administration of Urban Real Estate" (the "Urban Real Estate Law") (《中華人民共和國城市房地產管理法》) enacted by the Standing Committee of the National People's Congress on July 5, 1994, effective in January 1995 and as amended on August 30, 2007, and August 27, 2009 respectively, a property developer is defined as "an enterprise which engages in the development and operation of property for the purposes of making profits". Under the "Regulations on Administration of Development of Urban Real Estate" (Order of the State Council No. 248) ("the Development Regulations") (《城市房地產開發經營管理條例》(國務院令248號)) enacted by the State Council and enforced on July 20, 1998 and as amended on January 8, 2011, a property development enterprise must satisfy the following requirements: (a) have a registered capital of not less than RMB1 million and (b) have four or more full-time professional property/construction technicians and two or more full-time accounting officers with the relevant qualifications. The Development Regulations also stipulates that people's government of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a property development enterprise have to be submitted to the department of administration of industry and commerce. The applicant must file a record with the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

The minimum internal capital ratio for property projects (excluding economically affordable housing projects) was 35% under the "Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries" (Guo Fa [2004] No. 13) (《關於調整部分行業固定資產投資項目資本金比例的通知》(國發[2004]13號)) issued by the State Council on April 26, 2004. In May 2009, the State Council issued a "Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets" (Guo Fa [2009] No. 27) (《關於調整固定資產投資項目資本金比例的通知》(國發[2009]27號)) and reduced such ratio to 20% for ordinary commodity housing projects and affordable housing projects and 30% for other property projects.

B. Foreign-invested real estate enterprises and foreign-invested real estate projects

Foreign-invested real estate enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the laws and administrative regulations relating to foreign-invested enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and have obtained an approval certificate for establishing a foreign-invested enterprise. After registration to the department of administration of industry and commerce, the enterprise shall go through registration with competent foreign exchange bureau. In addition, foreign-invested real estate projects also need to be approved by the provincial government or filed with the competent investment department of the local government for the record.

Pursuant to the "Foreign Investment Industrial Guidance Catalog" (the "Guidance Catalog") (《外商投資產業指導目錄》) jointly enacted by MOFCOM and NDRC on December 24, 2011 and became effective on January 30, 2012, the real estate industry under restricted category covers the following:

(a) the development of a large scale land lots (which shall be operated only by sino-foreign equity joint ventures or sino-foreign cooperative joint ventures);

(b) the construction and operation of high-end hotels, premium office buildings, large theme parks and international conference centers; and

(c) real estate transactions in second-grade markets, housing agents and brokerages.

Further, the construction and operation of villas and golf courses by foreign investors is now in the prohibited category and all other types of property development fall within the permitted category.

On July 11, 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (Jian Zhu Fang [2006] No. 171) (the "Circular No.171") (《關於規範房地產市場外資准入和管理的意見》(建住房[2006]171號)). According to this circular, foreign investment in property market must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China which is not for their own residential use shall follow the principle of commercial existence and apply for the establishment of foreign-invested enterprises under the regulations of foreign investment in property. Foreign institutions and individuals can only carry on their business pursuant to the approved business scope after obtaining the approvals from relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested real estate development enterprise exceeds or equals US$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US$10 million, the amount of the registered capital shall follow the existing regulations.

(c) The commerce authorities and the department of administration of industry and commerce are, respectively, in charge of granting approval for establishing and effecting the registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying off the land grant premium, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive a formal approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprises in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares of foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign Investors should submit: (i) the letter of guarantee for the performance of the state-owned land use rights grant contracts, the construction land planning permit and the construction work planning permit; (ii) the land use right certificate; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(e) When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in sino-foreign equity joint ventures, foreign investors should make proper arrangement for the employees, settle the bank loans and pay the consideration in one single payment with its internal fund. Foreign investors with irregular track records shall not be allowed to conduct any of the aforementioned activities within China.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in the Real Estate Sector in the PRC" (Shang Zi Han [2007] No. 50) (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》(商資函[2007]50號)), which stipulates the following requirements for the approval and supervision of foreign investment in property sector:

(i) foreign investment in the PRC property sector relating to luxury properties should be strictly controlled;

(ii) before obtaining approval for the establishment of a foreign-invested property development enterprise, (a) both the land use rights certificates and housing ownership right certificates should have been obtained, or (b) contracts for obtaining land use rights or housing ownership rights should be entered into;

(iii) entities which have been set up with foreign investment need to obtain approvals before they expand their business operations into property development, and foreign-invested entities which have been set up for property development operations need to obtain new approvals in order to expand their property business operations;

(iv) acquisitions of domestic property entities and foreign investment in the aforesaid entities by way of "round-trip" investment (返程投資) (including when there is the same actual controlling person) should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons of the domestic property entities;

(v) parties to foreign-invested property enterprises should not in any way guarantee a fixed investment return;

(vi) the approval of the establishment of a foreign-invested property enterprises shall be filed with MOFCOM;

(vii) foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to foreign-invested property enterprises which fail to file with MOFCOM or fail to pass the unified annual foreign-invested enterprise reviews; and

(viii) for those foreign-invested property enterprises which are irregularly approved by local authorities for their establishment, (a) MOFCOM should carry out investigation and order punishment and corrections, and (b) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the "Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector" (Shang Zi Han [2008] No. 23) ("Notice No. 23") (《關於做好外商投資房地產備案工作的通知》(商資函[2008]23號)). According to Notice No. 23, when a foreign-invested real estate enterprise is established, increases its registered capital, share increase, transfers its shares, merges with or acquires another enterprise, the provincial level MOFCOM is required to verify all documents which are originally reported to the MOFCOM for record. Notice No. 23 also requires that each project company established or raised capital by foreign investors undertake only one approved property project.

On June 10, 2010, MOFCOM issued the "Circular of the Ministry of Commerce on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment" (Shang Zi Fa [2010] No. 209) (《關於下放外商投資審批權限有關問題的通知》(商資發[2010]209號)). According to this circular, commercial departments of provinces, autonomous regions, municipalities directly under the central government, cities specifically designated in the state plan, and Xinjiang Production Construction Corps and sub-provincial cities (including Harbin, Changchun, Shenyang, Jinan, Nanjing, Hangzhou, Guangzhou, Wuhan, Chengdu, and Xi'an) and Economic and Technology Development District at the national level are in charge of the examination and approval and management of the issues relating to establishment and changes in foreign-invested enterprises, which falls within the category of encouraged or permitted investment as prescribed in the Guidance Catalog, with a total investment amount less than US$300 million or restricted investment with a total investment amount less than US$50 million (the "quotas"). Issues relating to increases of capital where the increment is less than the State-prescribed quotas are subject to the examination, approval and management of the local authority. In November 2010, MOFCOM promulgated the "Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry" (Shang Ban Zi Han [2010] No. 1542) (《關於加强外商投資房地產業審批備案管理的通知》(商辦資函[2010]1542號)), which reiterated a number of limitations on foreign-invested real estate enterprises, such as

(a) Competent commerce departments of all regions shall, jointly with relevant local departments, enhance the monitoring of cross-border investment and financing activities, reinforce the safeguarding against risk in the real property market, and suppress speculative investment. Real property enterprises established in China with foreign capital shall not seek interest arbitrage by purchase and/or sale of existing real property/real property under construction in China.

(b) Competent commerce departments of all regions shall carry out their examination and approval work strictly in accordance with various provisions on the investment in and establishment of foreign-invested investment companies, and shall not approve investment companies involved in the business of developing and operating real property.

(c) Competent commerce departments of all regions shall, jointly with relevant departments such as the administration of foreign exchange, carefully discern and strictly review real property enterprises that involve round-trip investment and strictly control the establishment of real property enterprises in China by way of round-trip investment.

On May 10, 2013, SAFE issued the "Notice of the State Administration of Foreign Exchange on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting Documents" (Hui Fa [2013] No.21) ("Notice No. 21") (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》(匯發[2013]21號)). According to Notice No. 21, direct investment in China shall be managed by registration. Institutions and individuals involved in direct investment in China shall go through registration with SAFE and its branches (hereinafter collectively referred to as the "Foreign Exchange Bureau"). Banks shall process business relating to the direct investment in China based on the registration information provided by Foreign Exchange Bureaus. A foreign-invested enterprise shall be registered with the relevant Foreign Exchange Bureau after being duly established. Where a foreign investor has made capital contribution to the foreign-invested enterprise in the form of monetary funds, equity, tangible assets, intangible assets, etc. (including lawful incomes obtained in China), or where the foreign investor has paid consideration for the acquired equity from the Chinese side of a Chinese enterprise, the foreign-invested enterprise shall register the capital contribution and the rights and interests of the foreign investor with the Foreign Exchange Bureau. The foreign-invested enterprise shall go through change of registration with the Foreign Exchange Bureau if subsequently it increases or reduces its capital, transfers its equity or undergoes other capital changes. The foreign-invested enterprise shall go through deregistration with the Foreign Exchange Bureau if it subsequently cancels the registration of business or converts to a non-foreign-invested enterprise.

On July 10, 2007, SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the Ministry of Commerce" (Hui Zong Fa [2007] No.130) ("Notice No. 130") (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》(匯綜發[2007]130號)). Notice No.130 provides, among other things, that the local foreign exchange authorities must not (i) process foreign debt registrations or applications for the settlement of foreign debt submitted by real estate enterprises with foreign investment that obtained approval certificates from the competent commerce departments and registered with MOFCOM on or after June 1, 2007; or (ii) process foreign exchange registrations (or any change of such registrations) or foreign exchange settlements regarding capital account items and sale of foreign exchange submitted by foreign-invested real estate enterprises that obtained approval certificates from local commerce departments but have not registered with MOFCOM on or after June 1, 2007. On May 10, 2013, SAFE issued the "Notice of the State Administration of Foreign Exchange on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting Documents" (Hui Fa [2013] No.21) (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》(匯發[2013]21號)), which repealed Notice No. 130. But according our to PRC Counsel's informal consultations with SAFE, the requirements under Notice No. 130 are still implemented in practice.

On August 29, 2008, SAFE issued the "Circular on the Relevant Operating Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises" (Hui Zong Fa [2008] No. 142) ("Circular No. 142") (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》(匯綜發[2008]142號)).

Pursuant to Circular No. 142, Renminbi funds derived from the settlement of foreign exchange capital of a foreign-invested enterprise must be used within the business scope of the enterprise as approved by the relevant examination and approval department and cannot be used for domestic equity investment unless otherwise provided for by other regulations.

Pursuant to "Notice of the State Administration of Foreign Exchange on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting Documents" (Hui Fa [2013] No.21) (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》(匯發[2013]21號)), Renminbi funds derived from the settlement of foreign exchange capital of a foreign-invested enterprise cannot be used to make loans, repay loans borrowed from other non-financial enterprises (including advances from third parties) or repay bank loans which were relent to third parties.

On May 17, 2014, NDRC issued the "Administrative Measures for the Verification, Approval and Record-filing of Foreign Investment Projects" (Order of NDRC No. 12) (《外商投資項目核准和備案管理辦法》(國家發展和改革委員會令第12號)), under which, (i) The following projects listed in the Guidance Catalogue shall be subject to verification and approval of the NDRC: encouraged projects with a total investment (including increased investment) of USD 300 million or more that are subject to the requirements on being controlled (including relative being controlled) by Chinese shareholders, and restricted projects with a total investment (including increased investment) of USD 50 million or more (excluding real estate projects); (ii) Real estate projects under restricted industries and other restricted projects with a total investment (including increased investment) of less than USD 50 million in the Guidance Catalogue shall be subject to verification and approval of provincial governments. Encouraged projects with a total investment (including increased investment) of less than USD 300 million that are subject to the requirements on being controlled (including relative being controlled) by Chinese shareholders in the Guidance Catalogue shall be subject to the verification and approval of local governments; (iii) Foreign investment projects other than those listed in the preceding two items that fall under Item 1 through to Item 11 of the Catalogue for Investment Projects Need to Be Approved by the Government (2013 Version) (《政府核准的投資項目目錄》(2013年版)) shall be subject to verification and approval in accordance with Item 1 through to Item 11 therein; and (iv) Foreign investment projects beyond the scope of the preceding three items herein shall be subject to the record-filing by the competent investment departments of local governments.

C. Qualifications of a property developer

(a) Classifications and assessment of a real estate development enterprise's qualification

Under the "Provisions on Administration of Qualifications of Real Estate Developers" (the "Provisions on Administration of Qualifications") (Order of the Ministry of Construction [2000] No. 77) (《房地產開發企業資質管理規定》(建設部令[2000]第77號)) promulgated by the Ministry of Construction in March 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and operation of property without a qualification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Developers with class 1 qualifications shall be subject to preliminary examination and approval by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A property developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible property developer within 30 days from receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business condition of the enterprise. The property developer shall apply for a verification qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

(b) Business scope of a property developer

Under the Provisions on Administration of Qualifications, a property developer of any qualification classification may only engage in the development and operation of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of a property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

(c) Annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

D. Bidding/Tendering for Land

According to the "Regulation on the Grant of State-owned Land Use Rights through Tender, Auction and Listing-for-sale" (Order of MLR No.11) (《招標拍賣掛牌出讓國有土地使用權規定》(國土資源部令第11號)) promulgated on May 9, 2002, effective from July 1, 2002, which was subsequently amended on September 28, 2007 and effective on November 1, 2007 and renamed as "Regulations on the Grant of State-owned Land use rights Grant for Construction Use Rights through Competitive Bidding Auction and Listing-for-sale" (Order of MLR No. 39) (《招標拍賣掛牌出讓國有建設用地使用權規定》(國土資源部令第39號)), all land to be developed for commercial purposes, such as business, tourism, entertainment and commodity residential housing, must be granted by way of competitive bidding, auction or listing-for-sale. When deciding to whom the land use rights should be granted, the relevant authorities will consider not only the bidding price but also the credit history and qualifications of the developer and its bidding proposal.

In brief, the procedures to obtain land use rights certificates after July 1, 2002 are as follows:

- The land administration department of the people's government (人民政府) at the county or municipal level (the "Grantor") issues a notice specifying the terms and conditions of the tender, auction or bidding (the "Sale"), including the amount of deposit payable, the initial bidding price of the land and other criteria that will be considered by the Grantor in determining the successful participant. The notice will generally be issued 20 days in advance of the Sale.
- The Grantor will notify the eligible participants, who comply with the terms and conditions of the notice, to attend the Sale. At the Sale, the eligible participants may make an offer for the land and/or submit a bidding document in accordance with the steps prescribed in the notice.
- The Grantor then issues a letter of confirmation to the successful participant. Deposits paid by an unsuccessful participant will be returned.
- The successful participant then enters into a state-owned land grant contract with the Grantor in accordance with the terms specified in the letter of confirmation. The deposit paid for participating in the Sale will be used to offset part of the land use rights grant premium.
- Having fully paid the land use rights grant premium specified in the land grant contract, the successful participant registers the land with the Grantor.
- The people's government (人民政府) at or above the county level issues a land use rights certificate when the land use right grant premium and the deed tax is fully paid.

On April 17, 2010, the State Council issued the "Notice on Firmly Preventing Overly Fast Growth of Real Property Prices in Certain Cities" (Guo Fa [2010] No. 10) (《國務院關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)), which states that apart from adhering to and improving the competitive bidding, auction and listing-for-sale system, the PRC government is considering exploring new land use rights granting mechanisms in order to restrain rampant growth in the land grant prices. These new mechanisms may include "comprehensive bid evaluation" (綜合評標), "one-time bidding" (一次競價) and "mutual bidding" (雙向競價). On May 13, 2011, the MLR promulgated the "Opinions on Upholding and Improving the System for the Transfer of Land by Competitive Bidding, Auction and Listing-for-Sale" (Guo Tu Zi Fa [2011] No. 63) (《關於堅持和完善土地招標拍賣挂牌出讓制度的意見》(國土資發[2011]63號)), which provides an explanation of adjustments and improvements to the land transfer policy through competitive biddings, auctions and listing-for-sale, including (i) transferring the policy-based residential land by means of auction or listing with the housing price or land price restricted; (ii) transferring land for commodity housing by means of listing or auction with the requirements for building certain area of affordable housing, and; (iii) comprehensively evaluating conditions for land development and utilization and transfer price of land, and determining the owner of land use rights by public bidding.

E. Development of a property project

(a) Land for property development

Under the "Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Land in Urban Areas" (Order of the State Council No. 55) (the "Interim Regulations on Grant and Transfer") (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》(國務院令第55號)) promulgated and enforced by the State Council on May 19, 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user for the grant of the land use rights. The land user shall pay the land use right premium as provided for by the land grant contract. After payment in full of the land use right premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant, except for land use rights which may be obtained through allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the "Regulations on the grant of State-owned Land for Construction Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (Order of MLR No. 39) (《招標拍賣挂牌出讓國有建設用地使用權規定》(國土資源部令第39號)) enacted by MLR on September 28, 2007, and effective on November 1, 2007, land for industrial use (including land for warehouses, but excluding land for mining), commercial use, tourism, entertainment and commodity housing development or one parcel of land having more than two competing applicants shall be transfered by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

(i) The land authority under the people's government of the city and county (the "Grantor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, auction or listing-for-sale. The announcement should include basic particulars such as land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

(ii) With respect to applicants who satisfy the requirements set out in the announcement, the Grantor shall inform them to attend tender, auction or listing-for-sale.

(iii) After determining the winning tender or the winning bidder by either competitive bidding, auction or listing-for-sale, the grantor shall issue the bid winning notice to the winning tender or enter into a letter of confirmation with the winning bidder. The grantor should return other bidding or auction applicants their bidding or tender deposits.

(iv) The Grantor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned construction land use rights according to the time set out in the bid winning notice or letter of confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land use right grant premium for the grant of the state-owned construction land use rights.

(v) The winning tender or winning bidder should apply for registration and the land use rights certificate after paying off the total land grant premium in accordance with the state-owned construction land use rights grant contract. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land use right grant premium, and no land use rights certificates will be issued pro rata based on partial payment received.

On May 13, 2011, the MLR promulgated the "Opinions on Upholding and Improving the System for the Transfer of Land by Competitive Bidding, Auction and Listing-for-Sale" (Guo Tu Zi Fa [2011] No. 63) (《關於堅持和完善土地招標拍賣挂牌出讓制度的意見》(國土資發[2011]63號)), which adjusted and improved the system for the transfer of land by means of public bidding, auction and listing. Local administrative departments shall, based on the development of the local land market and residential construction, choose proper procedures and policies for granting land parcels: (i) Where land use rights are granted by "restricting the housing price and bidding on the land price", the competent land and resources departments of cities and counties shall, before granting land use rights, together with the competent administrative departments in charge of housing construction, commodity prices and planning, determine the sale conditions for houses according to relevant policies, and reasonably determine the sales price cap and the area standards for each housing unit on land parcels which will be granted, based on the sale price of commodity housing in the same region where the land parcels are located, then include the sale conditions, price caps and area standards in the plans for the grant of land use rights as restrictive conditions, and after reporting the same to the government and obtaining its approval, publicly grant the land use rights by means of listing or auction. Whoever meets the conditions and offers the highest bid for the land not less than base price shall be the winning bidder. The sales price cap of housing accepted by the winning bidder, and the strike price of land, etc., shall be specified in the bid winning notice and the land use rights grant contract. (ii) Where land use rights are granted by "restricting the land price and bidding on the housing price", the competent land and resources departments of cities and counties shall, before granting land use rights, determine the grant price of land parcels and the sales price cap for the house (which shall be lower than the market price of commodity houses in the same region with equal conditions) based on factors such as compensation for expropriation of land and removal and relocation of residents relating to land parcels to be granted, the pre-development cost of the land, the benchmark price and market price of other land parcels within the same region, the market land price, the conditions for the grant of land use rights, housing sales price, the housing price control goals determined by the government, etc., then include these prices into the plans for the grant of land use rights, and after reporting the same to the government and obtaining its approval, publicly grant land use rights by means of listing or auction. Whoever provides the lowest sale price for houses (i.e., the highest sale price when developers sell houses) shall be the winning bidder. The promised sales price for houses provided by the winning bidder, and the strike price of land, etc., shall be specified in the bid winning notice and the land use right grant contract. (iii) Where land use rights are granted by "building certain areas of affordable housing in the land used for commodity housing", the competent land and resources departments of cities and counties shall, together with the administrative departments in charge of housing construction, planning, housing management and security housing, determine the area, number of units, construction progress, conditions and price for government recovery, and methods for the allocation of land area, etc., for low-income housing, economical housing and other affordable housing on the land parcels which are planned to be granted, then include these qualifications in the plans for the grant of land use rights, and after reporting the same to the government and obtaining its approval, write them into the announcement and other documents for the grant of land use rights, and organize the listing and auction of the land. The strike price and the promise to build certain area of affordable housing made by the winning bidder shall be specified in the bid winning notice and the land use right grant contract. (iv) Where land use rights are granted by selecting "the optimal overall conditions for land utilization", the competent land and resources departments of cities and counties shall determine procedures for granting land use rights and bid assessment standards based on certain conditions, including, the standards for land utilization, the conditions of the region where the land parcels are located and the governmental requirements for development and construction, and then, after determining the lawful base price, view factors which may affect the development and utilization of land as bid assessment conditions such as land price, delivery time, development and construction periods, requirements for construction, economic efficiency of the proposed use, and the performance of the bidder under previous grant contracts, etc., reasonably determine each factor's weight and organize competitive bidding. After comprehensive assessment of the bids, the land use rights shall be granted to the bidder who offers the optimal overall conditions for land utilization. When the winning bidder is determined, it shall be disclosed to the public and the conditions for the development and utilization of the aforesaid land shall be specified in the bid winning notice and the land use rights grant contract.

On December 30, 2007, the MLR issued the "Measures for Land Registration" (Order of MLR No. 40) (《土地登記辦法》(國土資源部令第40號)) which specifies detailed provisions relating to the procedure of the land registration and materials required for such registration. On September 6, 2012, the MLR issued the "Opinions on Regulating Land Registration" (Guo Tu Zi Fa [2012] No. 134) (《關於規範土地登記的意見》(國土資發[2012]134號)) with the validity term of five years as of the date of issuing, which further enhancing the standardization of land registration.

According to the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (Guo Tu Zi Fa [2003] No. 356) (《關於加强土地供應管理促進房地產市場持續健康發展的通知》(國土資發[2003]356號)) issued by MLR on September 24, 2003 and amended on December 3, 2010, land use for luxurious commodity houses shall be stringently controlled and applications for land used for building villas will not be accepted. On May 30, 2006, MLR issued the "Urgent Notice of Further Strengthening the Administration of the Land" (Guo Tu Zi Dian Fa [2006] No. 17) (the "Urgent Notice") (《關於當前進一步從嚴土地管理的緊急通知》(國土資電發[2006]17號)) stipulating that land supply and related land use procedures will be suspended for villas and similar high-end residential property development projects from the issuance date of the notice.

On December 12, 2006, the MLR and the NDRC issued the 2006 version of the "Catalogue of Restricted Projects for Land Use" (《限制用地項目目錄(2006年本)》) and the 2006 version of the "Catalogue of Prohibited Projects for Land Use" (《禁止用地項目目錄(2006年本)》) (together with the catalogue of Restricted Projects for Land Use (2006 version), the "Catalogue of Restricted Projects for Land Use"), which restricted the area of a parcel of land granted for low-density and large-size commodity housing (projects with a plot ratio less than 1.0 and GFA more than 144 sq.m. for each set) and prohibited the use of land for villa and golf course development. On November 10, 2009, the MLR issued the supplement to the 2006 version of the "Catalogue of Restricted Projects for Land Use" (《限制用地項目目錄(2006年本增補本)》), which restricted the area of a parcel of land granted for commodity housing development to 7 hectares in small cities, 14 hectares in medium-size cities and 20 hectares in large cities. From year 2010 to 2012, the MLR issued several notices restating that the supply of the land to be developed for government-subsidized housing, housing required for transformation of shanty towns and medium and small size ordinary commercial housing shall be no less than 70% of the total land supply for housing constructions.

On May 23, 2012, MLR and NDRC jointly issued the "Circular on the Distribution and Implement of the Catalogue for Restricted Projects for Land Use (2012 Version)" and the "Catalogue for Prohibited Projects for Land Use (2012 Version)" (《關於發佈實施〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》). In this circular, (i) MLR and NDRC set forth a ceiling for the land granted by local governments for the development of residential housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities, and the plot ratio of residential housing projects shall not be less than 1; (ii) theme parks and large living area residential housing projects (referring to those residential housing projects with a floor area over 144 square meters per single set) shall not occupy farmland or occupy farmland in disguised forms; and (iii) property development projects for villas and golf courses projects are listed in the catalogue for prohibited land use projects.

Under the Urgent Notice, the land authority should rigidly execute the "Model Text of the State-owned Land Use Rights Grant Contract" (《國有土地使用權出讓合同示範文本》) and "Model Text of the State-owned Land Use Rights Grant Supplementary Agreement (for Trial Implementation)" (《國有土地使用權出讓合同補充協議示範文本(試行)》) jointly enacted by the MLR and the SAIC. The documents of the land grant should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land grant contract. On April 29, 2008, MLR and SAIC jointly issued the "Notice regarding Distribution of the Model Text for Grant of State-owned Land for Construction Use Rights Contract" (Guo Tu Zi Fa[2008]No.86)) (《關於發佈 <國有建設用地使用權出讓合同> 示範文本的通知》(國土資發[2008]86號)). The Notice replaces the previous model text with the model text for contracts contained in the Notice.

In November 2009, the Ministry of Finance, MLR, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (Cai Zong [2009] No. 74) (the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant") (《關於進一步加強土地出讓收支管理的通知》(財綜[2009]74號)). The notice raises the minimum down payment on land use right grant premiums to 50% of the total premium and requires the land use right grant premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, MLR promulgated the "Circular on Strengthening Real Estate Land Supply and Supervision" (Guo Tu Zi Fa [2010] No. 34) (the "Guo Tu Zi Fa [2010] No. 34") (《關於加强房地產用地供應和監管有關問題的通知》(國土資發[2010]34號)). Under this circular, the price for a given land granted is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit is required to be equal to at least 20% of the applicable minimum land grant premium. This circular has made further strict provisions on land grant contract administration. The land grant contract shall be executed within 10 working days after the land grant deal is closed, the down payment of 50% of the land use right grant premium shall be paid within one month after the date of land grant contract, and the remaining fee shall be paid in accordance with provisions of the land grant contract within one year.

On September 21, 2010, the MLR and Ministry of Housing and Urban-Rural Development jointly promulgated the "Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development" (Guo Tu Zi Fa [2010] No. 151) (the "Circular 151") (《關於進一步加强房地產用地和建設管理調控的通知》(國土資發[2010]151號)), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before rectifying any misconduct, including (1) illegal transfer of land use rights; (2) failing to commence required construction within one year from the delivery of land under land grant contracts due to developers' own reasons; (3) non-compliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (iv) grant of two or more parcels of land as a bundle are prohibited.

According to the "Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market" (Guo Tu Zi Fa [2010] No. 204) (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》(國土資發[2010]204號)) promulgated by MLR on December 19, 2010, (i) for the lands granted through biding, auctions and listing-for-sale process, if the premium rate is more than 50%, or the total amount of price or the price per unit has made a new record, the government of the cities and counties shall submit a compendium of abnormal transaction of real estate land to the MLR and the land resources department of the local government; and (ii) if a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contracts or relevant laws or regulations, the developer will be disqualified from obtaining land through the bidding process.

On January 26, 2011, the General Office of the State Council issued the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (the "Guo Ban Fa [2011] No. 1") (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》(國辦發[2011]1號)), under which the supply of lands for government-subsidized housing, housing required for transformation of shanty towns and medium and small size ordinary commercial housing is no less than 70% of the total supply of land.

On July 19, 2012, the MLR and the Ministry of Housing and Urban-Rural Development jointly issued the "Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market" (Guo Tu Zi Dian Fa [2012] No. 87) (the "Guo Tu Zi Dian Fa [2012] No. 87") (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》(國土資電發[2012]87號) to strengthen the enforcement of macroeconomic policy in the real property market. Local governments are required to secure residential land supplies, especially land to be used for the development of government-subsidized residential units. Local governments are also required to strictly implement macroeconomic control policies in the real property market. The qualifications of bidders shall be examined in a strict manner and the provision that "land grant premium shall not be paid by bank loans" shall be implemented. Two or more parcels of land shall not be granted as a bundle and undeveloped land shall not be granted. According to the aforesaid Notice, the land grant contract shall be executed within 10 business days of completing the land grant, and a down payment of 50% of the land grant premium shall be paid, with the remaining balance payable in installments within one year. For any land (including land used for service housing, residences or commercial and residential complexes) the strike price of which is expected to become the highest total price or unit price in history, or the premium rate of which will exceed 50%, the competent departments of land and resources at the municipal and county level shall adjust the land grant program in a timely manner and grant such land by "restricting the housing price and bidding on the land price", building auxiliary affordable housing or public infrastructure and other methods. With regard to users who have committed acts such as failing to make payment for land grant premium, leaving land idle, hoarding land for speculation, developing land in excess of their actual development capacity or failing to fulfil a land use contract, the land administration authority under the local government of the relevant city or county shall forbid them from participating in land bidding within a certain period of time.

On September 6, 2012, the MLR issued the "Circular on Strictly Carrying out Land Use Standards and Vigorously Promoting the Economical and Intensive Use of Land" (Guo Tu Zi Fa [2012] No. 132) (《關於嚴格執行土地使用標準大力促進節約集約用地的通知》(國土資發[2012]132號), with the validity term of five years as of the date of issuing. According to this Circular, with respect to any land under construction which falls within the prohibited land use category or violates conditions placed on it under the restricted land use category, or breaches the top limit of land quotas for the occupied area of the construction project in total or by each functional partition, or the land area or plot ratio of which doesn't comply with the requirements for residential land supply, the competent department shall not perform examination or approval of land supply and utilization for such construction land.

(b) Property project development

i. Commencement of property projects and idle land

Under the Urban Real Estate Law, those who have obtained the land use rights must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights grant contract. According to the "Measures on Disposing Idle Land" (Order of the MLR No. 53) (《閒置土地處置辦法》(國土資源部令第53號)) issued by MLR on June 1, 2012, under the following circumstances, a parcel of state-owned land for construction use shall be defined as "idle land":

- if the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and
- if the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of the land has been suspended for more than one year.

If a parcel of land is identified as idle land by a competent department of land and resources, unless otherwise prescribed by the new Measures on Disposing of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20% of the land grant premium or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Taking Back the Right to Use the State-owned Land for Construction Use to the holder of the land use right.

On January 3, 2008, the State Council reiterated the above-mentioned policies in the "Notice on Enhancing the Economical and Intensive Use of Land" (Guo Fa [2008] No. 3) (《關於促進節約集約用地的通知》(國發[2008]3號)). This notice states, among other things, that MLR and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land added price (增值地價) on idle land. On March 16, 2012, the MLR issued the "Opinion on Vigorously Promoting the Systematic Construction of the Economical and Intensive Use of Land" (Guo Tu Zi Fa [2012] No. 47) (《關於大力推進節約集約用地制度建設的意見》(國土資發[2012]47號)) with the validity term of eight years as of the date of issuing, states that idle land for real estate shall be monitored and scrutinized.

On February 26, 2013, the State Council issued the "Circular on Continuing the Regulation of Real Estate Market" (Guo Ban Fa [2013] No. 17) (the "Guo Ban Fa [2013] No. 17") (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)), pursuant to which, any real estate development enterprises that violate laws and regulations such as having idle lands, driving up land prices, hoarding properties for speculation and driving up prices of houses, the relevant departments shall establish cooperative mechanisms, and investigate and impose appropriate penalties more strictly. The land and resource departments shall forbid such enterprises to take part in the land bidding. Moreover, the banking financial institutions shall not offer loans to such enterprises for their new projects, the securities regulatory departments shall not approve the listing, refinancing and restructuring of such enterprises, and the banking regulatory departments shall not allow such enterprises to obtain financing through trust plans.

ii. Planning of property projects

According to the "Urban and Rural Planning Law of the People's Republic of China" (replacing the previous "City Planning Law of the People's Republic of China" (《中華人民共和國城市規劃法》) since January 2008) (《中華人民共和國城鄉規劃法》), the "Administrative Measures on Planning of Grant and Transfer of Urban State-owned Land Use Rights" (Order of the Ministry of Construction No. 22) (《城市國有土地使用權出讓轉讓規劃管理辦法》(建設部令第22號)) enacted by the Ministry of Construction on December 4, 1992, enforced on January 1, 1993 and amended on January 26, 2011 and the "Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant of State-owned Land Use Rights" (Jian Gui [2002] No. 270) (《關於加强國有土地使用權出讓規劃管理工作的通知》(建規[2002]270號)) enacted and enforced by the Ministry of Construction on December 26, 2002, (i) for any land that was obtained through government allocation, the property developer shall apply for an Opinion on Construction Project's Site Selection (選址意見書); and (ii) for any land that was obtained through land grant, the property developer shall apply for a construction land planning permit after signing a land grant contract. After obtaining a construction land planning permit, a property developer shall organize the necessary planning and the design work with regard to planning and design requirements, and apply for a construction works planning permit from city planning authority with the relevant approval documents.

iii. Construction of property projects

After obtaining the "construction work planning permit", a property developer shall apply for a construction permit from the construction authority above the county level according to the "Measures for the Administration of Construction Permits for Construction Projects" (The Order of the Ministry of Construction No. 91) (《建築工程施工許可管理辦法》(建設部令第91號)) enacted by the Ministry of Construction on October 15, 1999 and revised and enforced on July 4, 2001.

On November 17, 2007, the General Office of the State Council issued the "Circular of on Strengthening and Regulating the Administration on Newly-commenced Projects" (Guo Ban Fa [2007] No. 64) (《國務院辦公廳關於加强和規範新開工項目管理的通知》(國辦發[2007]64號)), which set forth the conditions that shall be met by various investment projects when they are commenced as follows:

1. the projects shall be subject to the industrial policies, development and construction plans, land supply policies and market-access criteria of the PRC.
2. the formalities of approval, ratification or filing of the projects must have been completed.
3. the location and distribution of the projects within the planning area must be in line with the urban and rural planning, and relevant planning approval formalities for the projects have gone through in accordance with urban and rural planning law.
4. the approval of use of the land, which is subject to application, must be obtained, the contract of compensated use of the state-owned land shall have been signed or the decision on the allocation of the state-owned land has been obtained, and the land for the construction of profit-making investment projects shall be gained by means of biddings auctions or listing-for-sale in accordance with relevant provisions.
5. the examination and approval of environmental impact assessment must have been completed in accordance with the provisions on the category administration of environmental impact assessment as well as examinations and approval of environmental impact assessment at different levels.
6. the energy-saving appraisal and examination of the fixed asset investment projects must have been completed in accordance with relevant provisions.
7. the construction unit must have, prior to the commencement of the construction projects, acquired the construction permit or work-start report in accordance with relevant provisions of the Construction Law, and taken specific measures which can guarantee the quality and safety of the construction projects.

8. the projects must meet other relevant requirements as specified by the laws and regulations of the State.

According to the "Law on Environmental Impact Assessment of PRC" (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the Ninth National People's Congress on October 28, 2002 and implemented on September 1, 2003, before commencing construction, a real estate developer shall prepare an environmental impact assessment report for submission to the relevant PRC environmental authorities and obtain approval from the relevant PRC environmental authorities.

Under the "Interim Measures on the Assessment and Examination of Energy Conservation of Investment in the Fixed Assets" (NDRC Order No. 6) (《固定資產投資項目節能評估和審查暫行辦法》(國家發展和改革委員會令第6號)), the documents relating to and examination opinions on the energy conservation assessment, and the filing form and the opinions of authorities in charge of registration and filing thereof, are important to the examination and approval of the project, the prerequisite conditions for commencement of the construction, the designation, working process and completion examination of the project. If projects have not passed any necessary energy conservation examinations, approvals from competent authorities must not be obtained and property developers are prohibited from commencing construction of the project, and projects finished is prohibited from being put into use. On May 9, 2012, the Ministry of Housing and Urban-Rural Development promulgated the "Circular on issuance of the special plan of "Twelfth five-year" Energy Conservation of Construction" (Jian Ke [2012] No. 72) (《關於印發"十二五"建築節能專項規劃的通知》(建科[2012]72號)). Pursuant to this notice, construction projects that fail to comply with regulations or mandatory standards of energy conservation and emissions reduction, will not be granted a construction works planning permit and a construction permit.

Circular 151 prohibits companies or individuals from changing the planning and construction conditions without due authorization after a land grant. If property developers apply for a change of land planning and construction conditions do not commence construction on schedule, land authorities shall take back the land and re-grant the land use right. Pursuant to the Guo Tu Zi Dian Fa [2012] No. 87 issued on July 19, 2012, residential construction projects are required to commence within one year from the land delivery date that is stipulated in the land allocation decision or land grant contract, and should be completed within three years from the date of commencement.

iv. Completion of property projects

According to the Development Regulation, the "Regulation on the Quality Management of Construction Projects" (Order of the State Council No. 279) (《建設工程質量管理條例》(國務院令第279號)) enacted and enforced by the State Council on January 30, 2000, and the "Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the "Circular on the Issuance of the Rules for Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (Jian Jian [2000] No. 142) (《關於印發<房屋建築和市政基礎設施工程竣工驗收規定>的通知》(建質[2013]171號)) enacted and enforced by the Ministry of Housing and Urban-Rural Development on December 2, 2013, after completion of a project, a property developer shall apply for an acceptance examination performed by the property development authority at or above the county level and report details of the acceptance examination, upon which the certificate of completion is issued. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

F. Property transactions

(a) Transfer of property

According to the Urban Real Estate Law and the "Provisions on Administration of Transfer of Urban Real Estate" (Order of the Ministry of Construction No. 96) (《城市房地產轉讓管理規定》) (建設部令第96號) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, grant or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by way of grant, the real property may only be transferred on the condition that: (i) the land use right grant premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use rights certificate has been obtained; and (ii) if development is to be carried out according to the land grant contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed or in case of a whole land lot development project, construction work has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes. In addition, if the construction of the real property has been completed, the real property should be transferred after the certificate of the housing title is obtained.

If the land use rights were originally obtained by way of grant, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original land use right grant contract, consent shall first be obtained from the original Grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights grant contract or a new land use rights grant contract shall be signed in order to, *inter alia*, adjust the land use rights grant premium price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people's goverment vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for grant of the land use rights, unless the relevant statutes require no transfer formalities, and pay the land use right grant premium according to the relevant statutes.

(b) Sale of commodity properties

Under the "Regulatory Measures on the Sale of Commodity Properties" (Order of the Ministry of Construction No.88) (《商品房銷售管理辦法》(建設部令第88號)) enacted by the Ministry of Construction on April 4, 2001 and effective June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. Permit of pre-sale of commodity properties

According to the Development Regulations and the "Pre-sale Measures" enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004, respectively, the pre-sale of commodity properties shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre sale registration with the property development authority of the relevant city or county to obtain a permit of pre sale of commodity properties. A commodity building may only be sold before completion provided that: (A) the land use right grant premium has been paid in full for the grant of the concerned land use rights and a land use rights certificate has been issued; (B) a permit for construction work planning and a construction permit have been obtained; (C) the funds calculated by the commodity properties for pre-sale invested in the development and construction represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (D) the pre- sale has been registered and a pre-sale permit of commodity properties has been obtained. In addition, regulations of certain local governments, such as Guangdong and Tianjin, have set forth additional conditions to be satisfied in connection with the application for a pre-completion sale permit.

According to the "Regulations on Administration of Pre-Sale of Commodity Properties of Guangdong Province" (《廣東省商品房預售管理條例》) enacted by the Standing Committee of Guangdong Provincial People's Congress on August 22, 1998 and revised on October 14, 2000 and July 23, 2010, and the "Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province" (Yue Jian Fang Zi (2001) No.2) (《關於調整我省商品房預售項目工程形象進度條件的通知》(粵建房字(2001)2號)) issued by the Guangdong Provincial

Construction Bureau in January 2001, the following conditions must be fulfilled in connection with the pre-sale of commodity properties in Guangdong: (A) the property developer has obtained a real property development qualification certificate and a business license; (B) the construction quality and safety monitoring procedures have been performed; (C) the structural construction and the roof sealing must have been completed in respect of properties of seven or fewer stories, and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (D) a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and (E) the properties, pre-sale project and its land use rights are free from any third party rights. According to the "Regulation on Administration of Commodity Properties of Tianjin City" (《天津市商品房管理條例》) enforced on December 1, 2002, the following conditions must be satisfied in connection with the application for a pre-sale permit for commodity properties (a) the property developer has obtained a competent qualification certificate and a business license; (b) the land use rights have been obtained legally; (c) authorized investment plan for the construction of the commodity properties, construction works planning permits and construction permits have been obtained; (d) the fees for the infrastructural facilities have been paid; (e) the property service plan or the preparation stage property services contract has been obtained and filed with the relevant authorities; (f) the development and the construction of the commodity properties meet the requirement of the image for commodity building as required by the municipal government; (g) the construction progress plan and completion date have been specified; and (h) the plan for the sale of the commodity properties has completed. According to the "Notice of Shanghai Housing Security and Housing Management Department on the Issues of Adjusting the Pre-Sale Standards of Commodity Properties" (《上海市住房保障房屋管理局關於調整商品房項目預售標準有關問題通知》) implemented on October 27, 2010, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects to the completion of the roof sealing of the main structures and the acceptance examinations with regards to projects obtained the construction permit after July 1, 2010. According to the "Notice of Beijing Municipal Commission of Housing and Urban-Rural Development on the Issues of Further Enhancing the Pre-Sale Approval of Commodity Properties in Beijing" (Jing Jian Fa [2013] No.12) (《北京市住房和城鄉建設委員會關於進一步加强本市商品房預售許可管理有關問題的通知》(京建法 [2013] 12號)) implemented on June 13, 2013, regarding (i) property development projects whose land use right grant contract is signed after August 1, 2013; (ii) non-residential houses such as commercial houses and office buildings; and (iii) residential houses with average GFA more than 140 sq.m. of a suit, the roof sealing of the main structures must have been completed in respect of properties of seven or fewer stories, and at least half of the structural construction must have been completed in respect of properties of more than seven stories.

ii. Management of pre-sale proceeds of commodity properties

According to the Pre-Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administration departments.

iii. Conditions of the sale of post-completion commodity properties

Under the "Regulatory Measures on the Sale of Commodity Properties" (Order of the Ministry of Construction No. 88) (《商品房銷售管理辦法》(建設部令第88號)), commodity properties may be put to post-completion sale only when the following pre-conditions have been satisfied: (A) the real estate development enterprise offering to sell the post-completion properties shall have an enterprise legal person business license and a qualification certificate of a property developer; (B) the enterprise has obtained a land use rights certificate or other approval documents of land use; (C) the enterprise has the permit for construction project planning and the permit for construction; (D) the commodity properties have been completed and have been inspected and accepted as qualified; (E) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc., have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (G) the property management plan has been enacted.

Before the post-completion sale of a commodity building, a property developer must submit the Real Estate Development Project Manual (房地產開發項目手冊) and other documents showing that the pre-conditions for post-completion sale have been fulfilled to the property development authority to complete the formality of filling.

iv. Regulations on sale of commodity properties

According to the Development Regulations and the Pre-Sale Measures, for the pre-sale of a commodity property, the developer shall sign a contract for the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and recording of the contract for pre sale of commodity property to the relevant administrative departments governing the property and the land administration department of the city or county governments. The property administration departments are supposed to take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices" (Guo Ban Fa [2005] No. 26) ("Guo Ban Fa [2005] No. 26") (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》(國辦發 [2005] 26號)) on May 9, 2005, several regulations concerning commodity properties sales were implemented:

- The advance buyer is prohibited from conducting any transfer of such commodity property offered for pre-sale or under construction. Before completion and delivery of an advance sale commodity property to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If the name of the applicant for property ownership is inconsistent with the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not accept the application of real estate ownership.

- A real-name system for house purchases should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts for commodity properties.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the "Notice on Issues Relating to the Further Strengthening of Real Estate Market Regulation and Improvement of the Pre-selling System for Commodity Housing" (Jian Fang [2010] No. 53) (《關於進一步加强房地產市場監管完善商品住房預售制度有關問題的通知》(建房[2010]53號)), which stipulates: (i) a property developer should disclose, within 10 days of the receipt of a pre-sale permit, all the properties approved for pre-sale and the price of each unit, and should sell the properties at prices which are the same as the prices submitted in the pre-sale proposal; and (ii) the plan for pre-sale of commodity properties submitted by the property developer with provisional qualification certificate when applying for the "pre-sale permit" should identify a body bearing all responsibilities relating to the qualification of the commodity property after the bankruptcy, and such body should submit a letter of guarantee.

On March 16, 2011, the NDRC issued the "Circular on Promulgating the Rules on Sales of Commercial Houses at Clearly Marked Prices" (Fa Gai Jia Jian [2011] No. 548) (《關於發佈<商品房銷售明碼標價規定>的通知》(發改價檢[2011]548號)). According to this circular, the seller of the commodity property is required to make known to the public the price and relevant fees relating to the commodity property and other factors affecting the price thereof. The price of each unit of a commodity property must be marked explicitly. After the permit of pre-sale of commodity properties is obtained or the filling for sale of the completed commodity properties has been completed, the seller thereof shall make known to the public all the commodity properties available for sale at one time and each unit of the commodity property shall be sold at the price registered. The seller is also required to mark out the commodity properties sold and if the price thereof is also marked, it shall be the actual price.

According to the "Notice on Conducting Special Inspections of the Sale of Commodity Houses with Marked Prices" (Fa Gai Ban Jia Jian [2011] No. 1050) (《關於開展商品房銷售明碼標價專項檢查的通知》(發改辦價檢[2011]1050號)), issued by the General Office of the NDRC on May 11, 2011, real estate developers who fail to mark a price on each unit in accordance with the relevant regulations will incur a fine of RMB5,000 for each unit sold. If real estate developers are found to have committed price fraud, they will be ordered to correct it, illegal gains will be confiscated and fines will be imposed. In serious cases, real estate developers will be ordered to suspend business.

(c) Mortgages of property

Under the Urban Real Estate Law and the "The Security Law of the People's Republic of China" (《中華人民共和國擔保法》) enacted by the Standing Committee of the National People's Congress on June 30, 1995 and enforced on October 1, 1995, and the "Measures on the Administration of Mortgage of Buildings in Urban Areas" (Order of the Ministry of Construction No. 98) (《城市房地產抵押管理辦法》(建設部令第98號)) enacted by the Ministry of Construction in May 1997 and revised on August 15, 2001, "mortgage" refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charges those properties as security for the creditor's rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds of the auction or sale of the concerned properties. The creditor's rights that the mortgagor has mortgaged must not exceed the value of the properties mortgaged. After being mortgaged, the amount of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of state-owned lands acquired through a grant is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, both the parties must register the mortgage with the competent property administration authority. If a mortgage is created on the real estate in respect of which a property ownership certificate has been legally obtained, the registration authority shall make an entry under the "third party rights" item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate (房屋他項權證) to the mortgagee. If a mortgage is created on the commodity properties put to pre-completion sale or under construction, the registration authority shall record the details of the commodity property put to pre-sale or under construction on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

(d) Lease of buildings

On December 1, 2010, "Administrative Measures for Commodity Housing Tenancy" (Order of the Ministry of Housing and Urban-Rural Development No. 6) (《商品房屋租賃管理辦法》(住房和城鄉建設部令第6號)) were issued by Ministry of Housing and Urban-Rural Development, according to which, the parties to a housing tenancy must register the housing tenancy with the competent departments of the municipality directly under the central government, cities and counties where the tenancy is located within 30 days after the contract is signed.

G. Property Financing

The PBOC issued the "Circular on Further Strengthening the Management of Loans for

Property Business" (Yin Fa [2003] No. 121) (《關於進一步加强房地產信貸業務管理的通知》(銀發[2003]121號)) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

(a) the property loan by commercial banks to real estate enterprises shall be granted only under the title of "property development loan" and it is strictly forbidden to extend such loans as current capital loan for a property development project or other loan item. No lending of any type shall be granted to property projects which have not obtained the land use rights certificates, construction land planning permit, construction works planning permit and work commencement permit;

(b) commercial banks shall not grant loans to property developers to pay off land use right grant premium; and

(c) commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains at 20%. In respect of his loan application for the additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the "Guidance on Risk Management of Property Loans of Commercial Banks" (Yin Jian Fa [2004] No. 57) (《商業銀行房地產貸款風險管理指引》(銀監發[2004]57號)) issued by CBRC on August 30, 2004, any property developer applying for property development loans shall have at least 35% of the capital funds required for the development.

According to the "Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit" (Yin Fa [2005] No. 61) (《中國人民銀行關於調整商業銀行住房信貸政策和超額准備金存款利率的通知》(銀發[2005]61號)) enacted by the PBOC on March 16, 2005, effective on March 17, 2005, the down payment for individual homes increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council passed the "Circular on the Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices" (Guo Ban Fa [2006] No. 37) (the "Guo Ban Fa [2006] No. 37") (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》(國辦發[2006]37號)). The regulations provide the following:

(a) The tightening of the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and revolving credit facilities in any form to the property developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer.

(b) From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20% of the purchase price as down payment remains unchanged.

On September 27, 2007, the PBOC and the CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property" (Yin Fa [2007] No. 359) (《關於加强商業性房地產信貸管理的通知》(銀發[2007]359號)), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or more and the purchaser is buying the property for their own residence;
- for a second time home buyer who has purchased a home with a loan, increasing (i) the minimum amount of down payment to 40% of the purchase price and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial houses that have been vacant for more than three years as collateral for loans. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

On July 29, 2008, the PBOC and the CBRC issued the "Notice on Promoting Economization of Land Use in Finance" (Yin Fa [2008] No. 214) (《關於金融促進節約集約用地的通知》(銀發[2008]214號)), under which, commercial banks are prohibited from providing loans (i) for projects that fall within the Catalogue for Prohibited Land Use Project (and, if extended, any such loan must be withdrawn gradually); (ii) to property developers to finance the payment of land use rights grant premium; (iii) to property developers that hold idle land for two years and prohibited commercial banks from extending other loans (including asset management business) secured by such idle land to the property developers.

In addition, commercial banks are required to be prudent when extending loans for restricted projects for land use and when extending loans to the property developers where the development and construction of the land has not commenced within the prescribed time in the land grant contract or where the development and construction of the land has commenced but the area of the development and construction that has commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment.

According to the notice on "Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans" (Yin Fa [2008] No. 302) (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》(銀發[2008]302號)) issued by the PBOC on October 22, 2008 and effective on October 27, 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%.

In January 2010, the General Office of the State Council issued a "Circular on Facilitating the Stable and Healthy Development of Property Market" (Guo Ban Fa [2010] No. 4) (《關於促進房地產市場平穩健康發展的通知》(國辦發[2010]4號)), adopting a series of measures to strengthen and improve the regulation of the property market, stabilize market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

In April 2010, the State Council issued the "Circular on Restraining the Housing Price from Increasing Rapidly for Some Cities" (Guo Fa [2010] No. 10) (the"Guo Fa [2010] No. 10") (《關於堅决遏制部分城市房價過快上漲的通知》(國發[2010]10號)) which provides the following:

- a household (including the borrower, his or her spouse and any minor children) that borrows a mortgage loan for the purchase of its first residential property, of which the building area is more than 90 square meters, must make a down payment of not less than 30% of the purchase price;
- a household that borrows a mortgage loan for the purchase of its second residential property must make a down payment of not less than 50% of the purchase price and pay a mortgage rate which is not lower than 110% of the benchmark lending interest rate;
- the down payment proportion and mortgage rate applicable to the purchase of a household's third residential property or beyond shall be significantly increased at the sole discretion of the commercial banks according to their risk controlling principles;

- in regions where commodity housing prices are too high, have increased too rapidly or where commodity housing is in short supply, commercial banks may suspend the grant of mortgage loans to any third-time (or beyond) home buyers if they deem it appropriate according to the risks involved, and may suspend the grant of mortgage loans to any non-residential home buyers who are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more. Local governments may, based on the circumstances, impose temporary restrictions during a certain period of time on the number of properties that can be purchased;
- commercial banks are prohibited from providing loans for new development projects to real estate developers who have been found to be leaving their land idle and speculating on land.

On May 26, 2010, the Ministry of Housing and Urban-Rural Development, PBOC and the CBRC jointly issued the "Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans" (Jian Fang [2010] No. 83) (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》(建房[2010]83號)), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans is required to be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or additional residential property.

On September 29, 2010, the PBOC and the CBRC issued the "Notice on the Improvement of Differential Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)). The notice provides that:

- commercial banks in the PRC must not extend loans for the purchase of third or subsequent residence or to non-residents without proof of tax or social insurance payments covering more than one year;
- the minimum down payment for a primary residence must be 30% or more of the purchase price;
- the minimum down payment for a second residence must not be less than 50% of the purchase price of the property and the loan interest rate must not be lower than 110% of the benchmark lending interest rate;
- all commercial banks in the PRC must strengthen the management of consumer credit to ensure it is not used for the purchase of housing properties;
- all commercial banks in the PRC must stop extending new real estate property loans, or extending existing loans, to real estate developers that hold idle land, that have changed the land use or land status, that have delayed the commencement date or completion date of construction, or that have delayed the launch of sales of property projects for speculative purposes.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (Guo Ban Fa [2011] No.1) (《關於進一步做好房地產市場調控工作有關問題的通知》(國辦發 [2011] 1號)), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities specifically designated in the state plans (計劃單列市), provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-residents with one or more residential properties, or non-residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties in the administrative region of such cities. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties each family is allowed to purchase.

On February 26, 2013, the State Council issued the Guo Ban Fa [2013] No. 17, pursuant to which, in cities where the housing price are increasing at an excessively high rate, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments.

On July 19, 2013, the PBOC issued the "Notice on Further Advancing the Market-based Interest Rate Reform" (關於進一步推進利率市場化改革的通知), which stipulates that since July 20, 2013, the control on the lending interest rate for financial institutions was removed and the bottom limit of 0.7 times of the benchmark lending rate was suspended. Financial institutions may determine the lending rate level at their own discretion according to commercial principles. Meanwhile, however, such notice mentioned that the floating band of the interest rate in respect of loans for personal housing will remain the same and unadjusted; also, the differential housing credit policies will continue to be strictly implemented.

On May 10, 2013, SAFE issued the Notice No. 21. According to Notice No. 21, direct investment in China shall be managed by registration. Institutions and individuals involved in direct investment in China shall go through registration with SAFE and its branches. See "Regulation — B. Foreign-invested real estate enterprises and foreign-invested real estate projects".

H. Insurance of a property project

There are no mandatory provisions in PRC laws, regulations or government rules that require a property developer to have insurance policies for its property projects.

In light of the "Construction Law of the People's Republic of China" (《中華人民共和國建築法》) enacted by the Standing Committee of the National People's Congress on November 1, 1997 and amended on April 22, 2011, construction enterprises must maintain accident and casualty insurance for workers engaged in dangerous operations. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" (Jian Zhi [2003] No. 107) (《關於加強建築意外傷害保險工作的指導意見》(建質[2003]107號)) enacted by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance.

Construction companies shall pay the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

I. Major taxes applicable to property developers

(a) Income tax

According to the "PRC Enterprise Income Tax Law" (《中華人民共和國企業所得稅法》) which was promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the PRC Enterprise Income Tax Law and its implementation provide that an income tax rate of 10% is generally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

(b) Business tax

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" (Order of State Council No. 540) (《中華人民共和國營業稅暫行條例》(國務院令第540號)) enacted by the State Council on December 13, 1993 and enforced on January 1, 1994 as amended on November 10, 2008 and its "Detailed Implementation Rules on the Provisional Regulations of The People's

Republic of China on Business Tax" (Order of Ministry of Finance No. 65) (《中華人民共和國營業稅暫行條例實施細則》(財政部令65號)) issued by the Ministry of Finance on December 25, 1993 and as amended on December 18, 2008 and October 28, 2011, the tax rate on transfer of real estate is 5%.

(c) Land appreciation tax

According to the requirements of the "Provisional Regulations of The People's Republic of China on Land Appreciation Tax" (the "Land Appreciation Provisional Regulations") ((Order of State Council No. 138) 《中華人民共和國土地增值稅暫行條例》 (國務院令第138號), which was promulgated on December 13, 1993 and became effective on January 1, 1994, and the "Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Land Appreciation Tax" (Cai Fa Zi [1995] No. 6) ("Land Appreciation Detailed Implementation Rules") (《中華人民共和國土地增值稅暫行條例實施細則》(財法字[1995]6號)), any appreciation gained from taxpayer's transfer of property shall be subject to LAT. LAT is set at four different rates: 30% on appreciation not exceeding 50% of the sum of deductible items; 40% on appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on appreciation exceeding 200% of the sum of deductible items. The deductible items include but are not limited to the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the "Land Appreciation Provisional Regulations", its implementation rules and the "Notice in respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before January 1, 1994" (Cai Fa Zi [1995] No. 7) (《關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知》(財法字[1995]7號)) which was announced by the Ministry of Finance and State Administration of Taxation on January 17, 1995, and amended by the "Decision of the State Council on Cancellation and Delegation of a Batch of Administrative Examination and Approval Items" (Guo Fa [2014] No.5) (《國務院關於取消和下放一批行政審批項目的決定》(國發[2014]5號)) on January 28, 2014, LAT shall be exempted under any one of the following circumstances:

- for ordinary standard residential properties (i.e. residential properties built in accordance with the local standard for general civilian residential properties and not deluxe apartments, villas, resorts etc.) where the appreciation amount does not exceed 20% of the sum of deductible items;
- where property taken over and repossessed according to laws due to the construction requirements of the State;
- due to individuals who relocate as a result of redeployment of work or improvement of living standards from originally self-used residential property, but only where they have been living for five years or more, and after obtaining tax authorities' approval;
- for property transfer contracts which were signed before January 1, 1994, whenever the properties are transferred, LAT shall be exempted; and
- if the property development contracts (房地產開發合同) were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred for the first time within five years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. For particular property projects approved by the Government for the development of the entire piece of land and long-term development, if the properties are transferred for the first time after the five-year tax-free period, the tax-free period would be appropriately prolonged.

After the issuance of the "Land Appreciation Provisional Regulations" and its implementation rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, the MLR had separately and jointly issued several notices to restate the following: after the land use rights grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (Guo Shui Han [2002] No. 615) (《關於認真做好土地增值稅徵收管理工作的通知》(國稅函[2002]615號)) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, to improve the methods of pre-levying for the pre-sale of property. That notice also pointed out that the preferential policy of LAT exemption for first time transfer of properties under property development contracts signed before January 1, 1994 or project proposal that has been approved and for which capital was injected for development is expired, and that such tax shall be levied again.

The State Administration of Taxation issued the "Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax" (Guo Shui Han [2004] No. 938) (《關於加强土地增值稅管理工作的通知》(國稅發[2004]938號)) on August 2, 2004 and the "Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns" (Guo Shui Fa [2004] No. 100) (《關於進一步加强城鎮土地使用稅和土地增值稅徵收管理工作的通知》(國稅發[2004]100號)) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On March 2, 2006, the Ministry of Finance and State Administration of Taxation issued the "Notice of Certain Issues Regarding Land Appreciation Tax" (Cai Shui [2006] No. 21) (《關於土地增值稅若干問題的通知》(財稅[2006]21號)). The notice clarifies the relevant issues regarding LAT as follows:

(i) Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties The notice sets out the recognized standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties and commercial properties, the value of land appreciation shall be assessed respectively. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people's government of the province, autonomous region or municipality directly under the central government.

(ii) Advance Collection and Settlement of LAT

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as at the day following the expiration of the prescribed advance collection period.
- As to any property project that has been completed and gone through the acceptance, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer

to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income generated from the transfer of property and the deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (Guo Shui Fa [2006] No. 187) (《關於房地產開發企業土地增值税清算管理有關問題的通知》) (國税發[2006]187號)) which came into effect on February 1, 2007. The notice sets out further provisions concerning the settlement of LAT by property developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled, etc. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

Pursuant to the notice described above, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incompleted development project; or (iii) the land- use rights with respect to the project is transferred directly. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (b) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (c) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The notice above also indicates that if a property developer satisfies any of the following criteria, the tax authorities will levy and collect LAT as per the levying rate no lower than the advance collection rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book as required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are disorganized or illegible, or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the “Rules on the Administration of the Settlement of Land Appreciation Tax” (Guo Shui Fa [2009] No. 91) (《土地增值税清算管理規程》(國税發[2009]91號)), which became effective on June 1, 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the rules. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On May 25, 2010, the State of Administration of Taxation issued the “Notice on Strengthening of Administration work with respect to the Collection of Land Appreciation Tax” (Guo Shui Fa [2010] No. 53) (《關於加强土地增值税徵管工作的通知》(國税發[2010]53號)) which specifies the advance collection rate of LAT in different regions in China. According to this circular, except for governmental-subsidized housing, the advance collection rate of LAT should not be less than 2% in provinces of China’s eastern region, 1.5% in provinces of China’s central and northeastern regions, and 1% in provinces of China’s western region. The local government should apply the proper advance collection rate on the basis of the specific property category (regions should be divided in accordance with the relevant documents of the State Council).

On June 20, 2013, the State of Administration of Taxation issued the "Notice on Further Improving the Collection and Administration on the Collection of Land Appreciation Tax" (Shui Zong Fa [2013] No. 67) (《關於進一步做好土地增值稅征管工作的通知》(稅總發[2013]67號)), pursuant to which, competent tax authorities shall settle the outstanding projects backlogged in recent years, improve efficiency, urge enterprises to conduct self-settlement within the allotted time, and enforce the consequences on those failing to conduct self-settlement.

(d) Deed tax

Pursuant to the "Interim Regulations of the People's Republic of China on Deed Tax" (Order of the State Council No. 224) (《中華人民共和國契稅暫行條例》(國務院令第224號)) enacted by the State Council on July 7, 1997 and enforced on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3% to 5%. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record.

(e) Urban land use tax

Pursuant to the "Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns" (Order of State Council No. 483) (《中華人民共和國城鎮土地使用稅暫行條例》(國務院令第483號)) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, January 8, 2011 and December 7, 2013, respectively, the land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax shall be between RMB0.6 and RMB30.0 per sq.m. for urban land, calculated according to the tax rate determined by local tax authorities.

(f) Buildings tax

Under the "Interim Regulations of the People's Republic of China on Buildings Tax" (Guo Fa [1986] No. 90) (《中華人民共和國房產稅暫行條例》(國發[1986]90號)) enacted by the State Council on September 15, 1986, enforced on October 1, 1986, and amended on January 8, 2011, buildings tax is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

(g) Farmland use tax

Pursuant to the "Tentative Provisions on the Farmland Use Tax of the People's Republic of China" (Order of the State Council No. 511) (the "Provisions of Farmland Use Tax") (《中華人民共和國耕地佔用稅暫行條例》(國務院令511號)) enacted by the State Council on December 1, 2007, and the "Detailed Rules for the Implementation of the Tentative Regulations of the People's Republic on Farmland Use Taxes" (Order of the Ministry of Finance and the State Administration of Taxation No. 49) (the "Detailed Rules of Farmland Use Taxes") (《中華人民共和國耕地佔用稅暫行條例實施細則》(財政部、國家稅務總局令第49號)) enacted by the Ministry of Finance and the State Administration of Taxation on February 26, 2008, the farmland use tax is levied according to the actual area occupied by the taxpayer. The average tax rate for farmland use in the provinces, autonomous regions, and municipalities directly under the central government, shall be determined according to the average tax rate for farmland use set out in the Detailed Rules of Farmland Use Taxes (the average tax rate is RMB40 yuan per sq.m in Beijing, RMB35 yuan per sq.m in Tianjiin, RMB30 yuan per sq.m in Zhejiang and Guandong, RMB25 yuan per sq.m in Liaoning, and RMB22.5 yuan per sq.m in Anhui) and the applicable tax rates for county-level administrative regions shall be determined according to the Provisions of Farmland Use Tax, the Detailed Rules of Farmland Use Taxes, and the rulings of the people's governments of provinces, autonomous regions, and municipalities directly under the central government.

(h) Stamp duty

Under the "Interim Regulations of the People's Republic of China on Stamp Duty" (Order of the State Council No. 11) (《中華人民共和國印花稅暫行條例》(國務院令第11號)) enacted by the State Council on August 6, 1988, enforced on October 1, 1988, and amended on January 8, 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty is levied at RMB5 per item.

(i) Municipal maintenance tax

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on February 8, 1985 and amended on January 8, 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the "Notice of the State Council on Unifying the the System of Urban Maintenance and Construction Tax and Educational Surcharges Paid by Domestic and Foreign- invested Enterprises and Individuals" (Guo Fa [2010] No. 35) (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》(國發[2010]35號)) issued by the State Council, foreign-invested enterprises, foreign enterprises and individual foreigners shall be subject to the urban maintenance tax as the domestic enterprises from December 1, 2010.

(j) Education surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" (《徵收教育費附加的暫行規定》) enacted by the State Council on April 28, 1986, revised on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas" (Guo Fa [1984] No. 174) (《國務院關於籌措農村學校辦學經費的通知》(國發[1984]174號)). Under the "Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens" (Guo Fa [2010] No. 35) (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》(國發[2010]35號)), foreign-invested enterprises foreign enterprises and individual foreigners shall be subject to the education surcharge as the domestic enterprises from December 1, 2010.

J. Measures on adjusting the structure of housing supply and stabilizing housing price

The General Office of the State Council enacted the "Circular on Stabilizing Housing Price" (Guo Ban Fa Ming Dian [2005] No. 8) (《國務院辦公廳關於切實穩定住房價格的通知》) (國辦發明電[2005]8號)) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market.

On May 9, 2005, the General Office of State Council issued Guo Ban Fa [2005] No. 26 (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》(國辦發 [2005] 26號)), which provides the following:

(a) Intensifying the planning and control and improving the supply structure of houses

Where the housing prices are increasing excessively and where the supply of ordinary commodity houses is in the medium or low price range, and economical houses are insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design, such as the height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions to land grants to ensure an effective supply of medium or small -sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to not be in compliance with the planning permits will be revoked.

(b) Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties increases too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium- or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing property construction is strictly restricted.

(c) Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax

From June 1, 2005, the business tax on transfer of a residential property by an individual within two years of the purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual who sells two years or more after the purchase is exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price. See "Regulation — J. Policies of business taxation on residential property".

(d) Rectifying and regulating for an orderly market

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, Guo Ban Fa [2006] No. 37 provides the following:

(a) Adjusting the Housing Supply Structure

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.
- As at June 1, 2006, newly approved and newly commenced residential construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities specifically designated in the state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(b) Further adjustments by tax, loan and land policies

- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.
- Commercial banks are not allowed to advance loan facilities to property developers who do not have the required 35% minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.
- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area housing property construction will be restricted.

- The relevant authorities will levy a higher land idle fee against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate, without compensation, the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended construction work for one year without an approval, who have invested less than one-fourth of the total proposed investment and who have developed less than one-third of the total proposed construction area.

(c) Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt "excessive property growth triggered by passive means" (被動性住房需求的過快增長).

(d) Further Rectifying and Regulating the Order of the Property Market

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit (規劃許可證), construction permit (施工許可證) or pre-sale permit (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of commodity properties (住房) and to confiscate the land in accordance with the law.
- The property administration authority and the administration of industry and commerce will investigate illegal dealings, such as contract fraud cases in accordance with the law. The sale of pre-completion commodity apartments without satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For property developers who hoard properties for speculation, or maliciously manipulate and drive up housing prices, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

(e) Gradually relieving the housing demands for low-income families

- To expedite the establishment of low-cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(f) Improving information disclosure system and system for collecting property statistics

On July 6, 2006, the Ministry of Construction promulgated a "supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings" (Jian Zhu Fang [2006] No. 165) (the "Supplemental Opinion") (《關於落實新建住房結構比例要求的若干意見》(建住房[2006]165號)). The Supplemental Opinion provides the following:

- As at June 1, 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.
- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit.

If the property developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006, but that were not granted a construction work permit by that date, the relevant local governments must ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, the PBOC and the CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment required before seeking mortgage financing. See "Regulation — Legal supervision relating to property sector in the PRC — Property financing".

In January 2010, the General Office of the State Council issued a "Circular on Facilitatingthe Stable and Healthy Development of Property Market" (Guo Ban Fa [2010] No. 4) (《關於促進房地產市場平穩健康發展的通知》(國辦發[2010]4號)), adopting a series of measures to strengthen and improve the regulation of the property market, stabilize market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price. And it will continue to implement the differential housing tax policy.

In March 2010, the MLR published the Notice on Increasing the Supply of Land for Real Estate Development and the Tightening of Regulation (Guo Tu Zi Fa [2010] No.34) (《關於加強房地產用地供應和監管有關問題的通知》(國土資發 [2010] 34號)), which requires: (i) that the minimum land use right grant premium payable shall not be less than 70% of the benchmark price for land of the same grade as that of the lot to be granted; (ii) that the competitive bid bond shall not be less than 20% of the minimum land use right grant premium; and (iii) that 50% of the total land use right grant premium must be paid within one month of the signing of the contract as down payment with the remainder to be paid by the time agreed in the contract, but in any event no later than one year after the signing of the contract. If a real estate developer fails to pay the land use right grant premium when due or is found to be leaving the land idle, hoarding or speculating on land, or to have undertaken land development beyond its capacity or failed to perform its obligations under the land grant contract, the relevant municipal or county administrative authority shall prohibit it from participating in any competitive bidding for land within a certain period of time.

The Guo Fa [2010] No. 10 which was issued In April 2010, provides the following:

- Increased strict differential housing credit policies. For families that purchase the first self-use house with the construction area of over 90 square meters (including the borrower, spouse and underaged children thereof, the same below), the down payment proportion of the loan shall not be lower than 30%; the down payment proportion of the loan for purchase of the second house shall not be lower than 50% and the interest rate on the loan shall not be lower than 1.1 times of the benchmark interest rate; the down payment proportion and the interest rate shall be raised substantially for loans to buy a third house or above and the specific proportion and interest rate shall be determined by commercial banks in light of risk management principle.

- in areas where the price of commercial houses is too high and rises too fast and where there is tension in house supply, the commercial banks may suspend granting loans for the purchase of the third house or more in light of risk status; suspend granting house purchase loans for non-residents who cannot provide local tax certificates or certificates on payment of social insurance for more than one year. The local people's government may take provisional measures according to the situation to limit the number of houses that can be purchased within a certain period.

- while adhering to and improving the existing system for land competitive bidding, auction and listing-for-sale, explore other methods for land transfer such as "comprehensive evaluation", "one-time bidding" and "two-way quotations" to restrain the rampant rise in transfer price of residential land.

- the land supply for security housing, shantytown transformation and small and middle-sized ordinary commercial housing shall not be lower than 70% of the total land supply for residential construction and shall be given priority.
- with regard to real estate development enterprises that having idle land or speculate on land, the commercial bank shall not grant loans to them for new development projects and the securities regulatory departments shall suspend the approval of its listing, refinancing and material asset restructuring.

According to Guo Ban Fa [2011] No. 1 which was issued on January 26, 2011, local governments shall effectively perform their duties of promoting the steady and healthy development of the real estate market, strictly carry out the Guo Fa Document No. 10 and its supporting policies, and effectively keep housing prices at a reasonable level. The business tax policy with respect to housing transfer by individuals shall be adjusted, and the whole amount of the income from transfer of a privately-owned housing unit which was purchased less than 5 years ago shall be taxed. For a household which uses a housing loan to buy the second home, the down payment shall not be less than 60 percent, and the loan interest rate shall not be lower than 1.1 times of the benchmark interest rate. All regions shall increase the effective supply of land, and strictly implement the requirements that the land supply for the construction of affordable housing, transformation of shanty towns into residential housing, and small and medium-sized ordinary commercial housing is not less than 70 percent of the total land supply.

The State Council recently approved on a trial basis the launch of a property tax scheme in selected cities in January 2011. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011.

Pursuant to the Guo Tu Zi Dian Fa [2012] No. 87 issued on July 19, 2012, all regions shall do their best to secure the supply of land for affordable housing projects, and further enhance the supply of land for common commercial housing. For any land (including land used for service housing, residences or commercial and residential complexes) the strike price of which is expected to become the highest total price or unit price in history, or the premium rate of which will exceed 50%, the competent departments of land and resources at the municipal and county level shall adjust the land grant program in a timely manner and grant land by "restricting the housing price and bidding on the land price", building auxiliary affordable housing or public infrastructure and other methods. The competent departments of land and resources at provincial level shall pay close attention to land-granting announcements issued by counties and cities, be kept informed of the detailed information on the land plot to be granted in a timely manner, and urge counties and cities to strictly implement the recording system for abnormal transactions of land plots.

The Guo Ban Fa [2013] No. 17 which was issued on February 26, 2013, provides the following:

- Continue to strictly implement the restriction measures for purchasing commercial houses. The municipalities directly under the Central Government, the municipalities specifically designated in the state plan and the provincial capitals in which the restriction measures have been implemented shall improve the existing restriction measures for purchasing houses on the base of the strict implementation of the Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (Guo Ban Fa [2011] No. 1). The areas under purchase restrictions shall cover all the administrative regions of the cities; the housing types under restricted purchase restrictions shall include all the newly-built commercial houses and secondhand houses; the examinations for qualification for purchasing houses shall be conducted before the signing of purchase (subscription) contracts; non-residential households that have one or more sets of houses and non-residential households that fail to provide the local tax-paid vouchers or certifications of social insurance payment for the required period, shall be suspended from purchasing houses in such administrative areas. The cities in which housing demand is high or otherwise facing a heavy rising pressure on housing prices shall take more strict measures for purchasing houses on the basis of the requirements mentioned above; other cities where housing prices rise too fast, the provincial people's governments shall require such cities to promptly take measures including restriction measures for purchasing houses.

- Continue to strictly implement the differentiated housing credit policies. The banking financial institutions shall properly implement the policies of down-payment proportion and interest rates of loans for the first homebuyers and strictly implement the housing credit policies for purchasing the second house (and more). With regard to the cities in which the housing prices rise too fast, the local branches of the People's Bank may increase the down-payment proportion and interest rates of loans for the second house purchasers in accordance with the goals to control the prices of newly-built commercial houses and the requirements of the people's governments of the cities.
- The individual income taxes shall be levied on gains generated from selling self-owned houses at the rate of 20% in accordance with law if the original value of such houses can be verified through historical information such as tax filings and property registration. Building on the experience of the pilot cities on reforming the real estate taxes of individual housing property, accelerate the popularization and expansion of the pilots.
- With regard to the common commercial house projects in which the small- and medium-sized suites reach 70% of the total number of suites that shall be constructed, the banking financial institutions shall give priority to their requests for loan on the condition that they meet the credit conditions.

K. Policies of taxation on residential property

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Adjustments to Taxation on Real Property Transactions" (Cai Shui [2008] No.137) (《關於調整房地產交易環節稅收政策的通知》(財稅 [2008] 137號)), pursuant to which, from November 1, 2008, individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from land value added tax.

On September 29, 2010, the Ministry of Finance, State Administration of Taxation Bureau and the Ministry of Housing and Urban-Rural Development issued the "Notice on Adjustment of Preferential Policies for Deed Tax and Individual Income Tax for Real Estate Transaction" (Cai Shui [2010] No. 94) (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》(財稅[2010]94號)), ruling that, (i) where an individual purchases an ordinary residential property being the only residential property for the family (including the purchaser, his/her spouse, and their minor children), a 50% reduction of deed tax is allowed; (ii) where an individual purchases an ordinary residential property with a total GFA under 90 sq.m. (including a total GFA of 90 sq.m.) and being the only residential property for the family, the deed tax will be levied at the rate of 1%.

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (Guo Ban Fa [2008] No. 131) (《關於促進房地產市場健康發展的若干意見》(國辦發[2008]131號)) which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from December 20, 2008 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and a ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first-time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to "low-to medium-level price" or "small- to medium-sized'' ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (Guo Ban Fa [2011] No. 1) (《關於進一步做好房地產市場調控工作有關問題的通知》(國辦發[2011]1號)), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

According to the "Circular on Adjusting Policies of Business Tax on Individual Transfer ofHouses" (Cai Shui [2011] No. 12) (《關於調整個人住房轉讓營業稅政策的通知》(財稅[2011]12號)) issued by the State Administration of Taxation and Ministry of Finance on January 27, 2011, (i) business tax is to be levied on the entire sales proceeds upon the transfer of a residence by an individual within five years from the date of purchase; (ii) in the case of an non-ordinary residence, the business tax is to be levied on the difference between the sale income and the purchase price if that transfer occurs no less than five years after the purchase date and (iii) for the transfer of a ordinary residence no less than five years from the date of purchase, the business tax is exempted.

On September 29, 2010, the Ministry of Finance, State Administration of Taxation Bureau and the Ministry of Housing and Urban-Rural Development issued the "Notice on Adjustment of Preferential Policies for Deed Tax and Individual Income Tax for Real Estate Transaction" (Cai Shui [2010] No. 94) (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》(財稅[2010]94號)), ruling that where an individual sells his/her residential property and purchases another residential property within one year, the individual income tax will not be reduced or exempted.

On February 26, 2013, the General Office of the State Council issued the Guo Ban Fa [2013] No. 17, which among others, provides that the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

Legal overview of the hotel sector in the PRC

A. Foreign-invested hotel project

According to the Guidance Catalog, construction and operation of high-end hotels falls within the category of "Restricted Foreign Investment Industry". Construction and operation of common and economic hotels other than high-end hotels fall within the category of "permitted foreign investment industry". MOFCOM and the NDRC amended the Guidance Catalog in October 2007 and December 24, 2011,which provides that, effective from January 30, 2012, the property development business falls within the category of industries in which foreign investment is permitted, except that the development of a whole land lot which shall be operated only by sino-foreign equity joint ventures or sino-foreign cooperative joint ventures, the construction and operations of high-end hotels, premium office buildings, large theme parks and international conference centers, property transactions in the secondary market and property intermediaries and large theme parks fall within the category of industries in which foreign investment is subject to restrictions and that the construction and operation of golf courses and villas fall within the category of industries in which foreign investment is subject to prohibition. A foreign-invested enterprise investing in the hotel business can set up an enterprise in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises. A foreign-invested enterprise in the hotel business should apply for an approval with the relevant department of commerce, and obtain an approval certification for a foreign-invested enterprise before registering with the administration of industry and commerce.

B. Hotel management

The procedures involved in hotel construction in China, including obtaining approval for land use, project planning and project construction, shall also be subject to the aforementioned regulations relating to property project development. There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

(a) Legal supervision on security and fire control

Pursuant to the "Measures for the Control of Security in the Hotel Industry" (《旅館業治安管理辦法》) issued by the Ministry of Public Security on November 10, 1987, and amended on January 8, 2011, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should make a filing with the local public security bureau and its branches in the county or city if the hotel enterprise wants to make any change including closing, transferring or merging of business, changing the place of business and name, etc. Pursuant to the "Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions" (Order of the Ministry of Public Security No. 61) (《機關、團體、企業、事業單位消防安全管理規定》) (公安部令第6號) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, the "Fire Prevention Law of the PRC" (《中華人民共和國消防法》) enacted by the Standing Committee of National People's Congress on October 28, 2008 and the "Regulations on the Supervision and Administration of Fire Prevention for Construction" (Order of the Ministry of Public Security No. 119) (《建設工程消防監督管理規定》(公安部令第119號)) enacted by the Ministry of Public Security on April 30, 2009 and amended on July 17, 2012, hotels (or motels) are units which require special supervision on fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required, and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

(b) Supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should gain a sanitation license. The measures for granting and managing a sanitation license are formulated by the public health authority of the province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions granting the license. The sanitation license should be reviewed once every two years.

(c) Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain catering service licenses. Catering service licenses are granted by food hygiene supervision administrative bodies above county level. The purchasing, reserving and processing of food, tableware, and service should meet the relevant requirements and standards of food hygiene.

(d) Supervision on entertainment

According to the "Regulation on the Administration of Entertainment Venues" (Order of the State Council No. 458) (《娛樂場所管理條例》(國務院令第458號)) enacted by the State Council on January 29, 2006 and enforced on March 1, 2006, hotels that operate singing, dancing and game places for profits should apply to the relevant local competent departments for culture administration for entertainment commercial operation approval. The relevant local competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions set down by the competent department governing entertainment administration under the State Council if it approves the relevant local application. According to the regulations concerning broadcast, movies and TV, hotels allowed to provide service to foreigners above two-star or the second rank of the national standards may apply to the local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government, the permit of receiving foreign television program from satellite is issued and the issuance of the permit should be filed with the state security administration.

(e) Supervision on disposition of sewage and pollutants

According to the "Measures for the Administration of City Water-draining Permit", (Order of the Ministry of Construction No. 152) (《城市排水許可管理辦法》(建設部令第152號)) issued by the Ministry of Construction on December 25, 2006 and effective on March 1, 2007, hotels that have been using the city sewage system for water drainage should apply for a city water-draining permit.

(f) Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers and so on are special equipment. According to the "Regulations on Security Supervisal of Special Equipment" (Order of the State Council No. 549) (《特種設備安全監察條例》(國務院令第549號)) enacted by the State Council on March 11, 2003 and enforced on June 1, 2003, as amended on January 24, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard. On June 29, 2013, the Standing Committee of the Naional People's Congress issued the "Special Equipment Safety Law of the People's Republic of China"(《中華人民共和國特種設備安全法》). Hotels using special equipment shall (i) before or within 30 days after such special equipment is put into use, handle registration with the department in charge of the supervision and administration of special equipment safety, and obtain the registration certificate for use; and (ii) establish a safety administration system covering work post responsibilities, handling of potential hazards and emergency rescue, and formulate operating procedures to ensure the safe operation of special equipment.

(g) Supervision on the sale of tobacco and alcohol

According to laws and regulations in relation to the sale of tobacco, hotels that sell tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License (烟草零售專營許可證). According to the "Measures for the Administration on Foreign Investment in Commercial Fields" (Order of MOFCOM [2004] No. 8) (《外商投資商業領域管理辦法》(商務部令2004年第8號)) enacted by MOFCOM on April 16, 2004 and enforced on June 1, 2004, a foreign-invested enterprise that operates wholesale and retail is not allowed to operate a tobacco business. According to the "Measures for the Administration of Alcohol Circulation" (Order of MOFCOM [2005] No. 25) (《酒類流通管理辦法》(商務部2005年第25號令)) enacted by MOFCOM on November 7, 2005 and enforced on January 1, 2006, an enterprise that sells alcohol should handle the archival filing and registration with the administrative department of commerce at the same level as the administrative department for industry and commerce where the registration is handled. The licensing system shall apply in those regions where the licensing administration of alcohol circulation has been carried out according to law.

Legal overview of the property management sector in the PRC

A. Foreign-invested real estate management enterprises

According to the Guidance Catalog, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalog and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a Sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign owned enterprise. Before the Administration of Industry and Commerce registers a foreign-invested enterprise as a foreign-invested real estate management enterprise, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a "foreign-invested enterprise approval certificate".

B. Qualifications of a real estate management enterprise

According to the "Regulation on Real Estate Management" (Order of State Council No. 504) (《物業管理條例》(國務院令第504號)) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the "Measures for Administration of Qualifications of Real Estate Service Enterprises" (Order of the Ministry of Construction No. 164) (《物業服務企業資質管理辦法》(建設部令第164號)) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004, as amended on November 26, 2007, a newly established real estate service enterprise shall, within 30 days of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the central government for a grading assessment. The departments of qualification examination and approval will check and issue a "real estate service qualification certificate" corresponding to their grading assessment results.

According to the Measures for the Administration on Qualifications of Real Estate Service Enterprises, real estate service enterprise shall be classified as either class one, class two or class three. The competent construction department of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government is responsible for issuing and administering the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government is responsible for issuing and administering the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people's government of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualifications may undertake various property service projects. The real estate service enterprises with class two qualifications may undertake the property service business of residential management projects of less than 300,000 sq.m. and non-residential management projects of less than 80,000 sq.m. The real estate service enterprises with class three qualifications may undertake the property service business of residential projects of less than 200,000 sq.m. and non-residential projects under 50,000 sq.m.

C. Employment of a real estate service enterprise

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who, in aggregate, hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a real estate management enterprise, it shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

Legal overview of the construction sector in the PRC

A. Foreign-invested construction enterprise

According to the Guidance Catalog, construction business falls within the category of permitted foreign investment industries. According to the "Regulations on the Administration of oreign-invested Construction Enterprise" (Order of the Ministry of Construction and the Ministry of Foreign Economic Cooperation No. 113) (《外商投資建築業企業管理規定》(建設部、對外貿易經濟合作部令第113號)) jointly enacted by the Ministry of Construction and the Ministry of Foreign Economic Cooperation (now changed to MOFCOM) on September 27, 2002 and enforced on December 1, 2002, a foreign investor that establishes foreign-invested construction enterprises in China that carry on construction operations will have to (a) obtain the approval certification of foreign-invested enterprise; (b) register with the SAIC or local administration of industry and commerce; and (c) obtain a qualification certificate of construction enterprise from construction administration authorities.

B. Qualification of a construction enterprise

According to "Construction Law of the People's Republic of China" and the "Provisions on the Administration of Qualifications of Enterprises in Construction Industry" (Order of the Ministry of Construction No. 159) (《建築業企業資質管理規定》(建設部令第159號)) enacted by the Ministry of Construction on June 26, 2007 and enforced on September 1, 2007, the enterprises in the construction industry shall be classified into different qualification classes pursuant to, amongst other things, the amount of its registered capital, professional personnel, technical equipment and performance records of completed construction works. A construction enterprise can engage in construction activities within its approved scope after obtaining the construction qualification certificate.

According to the above-mentioned provisions, the qualifications will be divided into three categories, namely that for undertaking the whole of a construction project, that for undertaking a specialized contract and that for undertaking a labor service by subcontract. The categories of qualifications for undertaking the whole of a construction project, undertaking a specialized contract and undertaking a labor service by subcontract are divided into several qualification types according to the nature of the project and technical features. Each qualification type is further divided into several classes according to the prescribed conditions.

The department in charge of construction under the State Council is responsible for the approval of: (i) the qualification of special class or first class enterprises for undertaking the whole of a construction project; (ii) the qualification of second and third class enterprises for undertaking the whole of a construction project, which are constructed by enterprises directly supervised by State-owned Assets Supervision Administration Commission of the State Council or enterprises which are directly owned by the enterprises aforesaid; (iii) the qualification of first class enterprises for undertaking specialized contracts, which are engaged in water conservancy, transportation, and the information industry; (iv) the qualification of first or second class enterprises for undertaking specialized contracts, which are engaged in operation of railroads and civil aviation; and (v) the qualification of enterprises for undertaking specialized contracts, which are engaged in road transportation and urban railroad transportation. Other kinds of qualification should be approved by the department in charge of construction under the authority of the province, autonomous region or municipality directly under the central government, and the city which has set up districts in accordance with the Provision.

The term of validity of certificate for the qualification of enterprise in construction industry is five years.

C. Business scope of qualifications for a wholly foreign owned construction enterprise

According to the above-mentioned "Regulations on the Administration of Foreign-invested Construction Enterprise", a wholly foreign owned construction enterprise is allowed to contract, within its scope of qualifications, the following projects: (a) a project that is to be constructed totally with the investment of a foreign country or the donation of a foreign country or the investment and donation of a foreign country; (b) a project funded by an international financial institution or granted through international bidding according to the terms of a loan; (c) a joint construction project of which foreign investment holds 50% or more, and a Sino-foreign joint construction enterprise in which foreign investment holds less than 50% but which cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and has been approved by the administrative department of construction of the relevant provincial, regional or municipal government; and (d) a construction project using Chinese investment but that cannot be independently implemented by any Chinese construction enterprise due to technical difficulties which has received approval from the administrative department of construction of the relevant provincial, regional or municipal government to be jointly constructed by Chinese and foreign construction enterprises.

Legal supervision relating to real estate brokerage in the PRC

On January 20, 2011, Ministry of Housing and Urban-Rural Development, the NDRC and the Ministry of Human Resources and Social Security collectively jointly issued the "Measures for the Administration of Real Estate Brokerage" (Order of the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission and the Ministry of Human Resources and Social Security No. 8) (《房地產經紀管理辦法》(住房和城鄉建設部、國家發展和改革委員會、人力資源和社會保障部令第8號)), which shall come into effect as of April 1, 2011, according to which, the State shall implement a professional qualification system for real estate brokers, and real estate brokerage institutions and their branches shall, within 30 days from the date of receipt of the business license, complete the filing in front of the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the institution is located.

On May 11, 2011, Ministry of Housing and Urban-Rural Development and the NDRC jointly issued the "Notice of Strengthening the Administration of Real Estate Brokerage and Further Standardize the Order of Real Estate Transactions"(Jian Fang [2011] No,68) (《關於加强房地產經紀管理進一步規範房地產交易秩序的通知》(建房[2011]68號)), to strength the administration of the real estate brokerage institutions and the brokers. The Notice also requires property developers and real estate brokerage institutions to sell or pre-sell commodity houses strictly in compliance with sales programs and the declared prices.

Regulation on foreign exchange registration of offshore investment by PRC residents

Pursuant to Circular No. 75, (a) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle ("SPV"), for the purpose of overseas equity financing with domestic enterprises assets or equity held by it (including convertible debt financing); (b) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a SPV, or engages in overseas financing after contributing assets or equity interests into a SPV, such PRC resident shall register his or her interest in the SPV and the change thereof with the local branch of

SAFE; and (c) when the SPV undergoes a material event which is not related to "round-trip" investment outside the PRC, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days of the occurrence of such event, register such change with the local branch of SAFE.

On July 4, 2014, SAFE issued the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Investment Overseas and Inbound Investment via Special Purpose Vehicles" (Hui Fa [2014] No.37) ("Circular No. 37") (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37)), which repealed the Circular No. 75. Pursuant to the Circular No. 37, (i) "Special Purpose Vehicles" (the "SPV") stipulated in Circular No. 37 is defined as an offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institutions and domestic resident individuals) for the purpose of financing or investment using the assets or equity interests in domestic enterprises they legally hold or the assets or equity interests they legally hold overseas;(ii) "Round-trip Investment" stipulated in Circular No. 37 is defined as direct investment activities carried out in PRC by domestic residents via SPVs directly or indirectly, i.e. establish a foreign-invested enterprise or project (hereafter referred to as "foreign-invested enterprise") by such means as new establishment, acquisition etc., and obtain the interest such as ownership, right of control, right of management and operation of the foreign-invested enterprise, etc.;(iii) prior to making capital contributions to a SPV with assets or equity interests legally hold in PRC or abroad, a domestic resident shall go through the procedures for registration of offshore investment with SAFE or a local branch of SAFE (the "Foreign Exchange Bureau"), and the domestic resident cannot conduct the follow-up matters until the offshore investment registration has completed;(iv) after a registered offshore SPV becomes the subject of basic information changes such as changes in domestic resident individual shareholders, name, term of operation or material changes such as capital increase, capital reduction, equity transfer, equity swap involving domestic resident individual, or merger, division, a domestic resident shall timely go through the procedures for amendment registration of the offshore investment with Foreign Exchange Bureau, and the domestic resident cannot conduct the follow-up matters (including the repatriation of profits and dividends) until the amendment registration of offshore investment has completed;(v) when unlisted SPV carries out equity interests incentive plans with its shares or share options etc. for directors, supervisors, senior management and other employees who were employed by or have labor relationship with domestic enterprise directly or indirectly controlled by the SPV, related domestic resident individuals can go through the procedures for registration of SPV with Foreign Exchange Bureau before exercising their option or other rights; (vi) domestic enterprise directly or indirectly controlled by domestic resident can make loans to registered SPV in accordance with current laws and regulations if there is real and reasonable demand;(vii) domestic resident can convert Renminbi into foreign currency and remit them out of China for the purpose of the establishment, stock buyback and delisting of SPV etc. if there is real and reasonable demand.

Under Circular No. 75 and Circular No. 37, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on the PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposal of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes.

You should consult their professional advisors on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

The Issuer and all dividends, interest, rents, royalties, compensation and other amounts paid by the Issuer to persons who are not resident in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of the Issuer by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Ordinance in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the Issuer.

All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Issuer and all instruments relating to other transactions relating to the business of the Issuer are exempt from payment of stamp duty in the BVI. This assumes that the Issuer does not hold an interest in real estate in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Issuer or its members.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal or interest in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, exchange or redemption of the Notes where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business (excluding profits arising from the sale of capital assets) and subject to profits tax in Hong Kong in the following circumstances:

(i) Interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;

(ii) Interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrued are made available outside Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and where the sum has a Hong Kong source. The source of such sums will generally be determined by considering the manner in which the Notes are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Under the PRC EIT Law and implementation regulations issued by the State Council, if we are treated as a PRC ''resident enterprise'' (as described under ''Risk Factors — Risks relating to the PRC — We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on distributions we pay on the Notes''), PRC income tax at the rate of 10% (or a lower treaty rate, if any) may be withheld from interest payments to investors that are ''non-resident enterprises'' and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, if such interest would be treated as derived from sources within the PRC. Any gain realized on the transfer of the Notes by such investors may be subject to a 10% (or a lower treaty rate, if any) PRC income tax if we were treated as a PRC resident enterprise and such gain would be regarded as income derived from sources within the PRC.

If we were treated as a PRC resident enterprise, and if consequently interest income or gain from the transfer of Notes would be regarded as derived from sources within the PRC, the tax and withholding tax rates applicable to non-resident individuals might be up to 20% (or a lower treaty rate, if any).

We currently do not intend to withhold PRC taxes from interest payments. However, as advised by our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC ''resident enterprise'' for the purpose of the EIT Law. If we were treated as a PRC ''resident enterprise'', the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, might be treated as income derived from sources within the PRC and subject to PRC tax as described above.

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (if the documents in respect of the issue and the transfer (a) will not be executed within the PRC; and (b) will not be governed or interpreted under PRC law).

The European Union

European Union Savings Directive

EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from January 1, 2015.

The Council of the European Union has adopted a Directive (the "Amending Directive") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by January 1, 2016, which legislation must apply from January 1, 2017.

Investors who are in any doubt as to their position should consult their professional advisers.

Proposed Financial Transactions Tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain transactions relating to the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A party may be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is the subject of the transaction is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and has been the subject of legal challenge with future challenges also possible. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SALE AND SUBSCRIPTION

The Issuer and the Guarantor have entered into a subscription agreement with The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Goldman Sachs (Asia) L.L.C., Deutsche Bank AG, Singapore Branch, Bank of China (Hong Kong) Limited, Morgan Stanley & Co. International plc, UBS AG, Hong Kong Branch, DBS Bank Ltd. and Australia and New Zealand Banking Group Limited as the Joint Lead Managers dated July 23, 2014 (the "Subscription Agreement") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and each of the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Notes set forth opposite its name below:

Joint Lead Manager	Principal amount of the 2019 Notes to be subscribed	Principal amount of the 2024 Notes to be subcribed
The Hongkong and Shanghai Banking Corporation Limited	US$145,000,000	US$203,000,000
J.P. Morgan Securities plc	US$145,000,000	US$203,000,000
Goldman Sachs (Asia) L.L.C.	US$110,000,000	US$154,000,000
Deutsche Bank AG, Singapore Branch	US$ 40,000,000	US$ 56,000,000
Bank of China (Hong Kong) Limited	US$ 40,000,000	US$ 56,000,000
Morgan Stanley & Co. International plc	US$ 5,000,000	US$ 7,000,000
UBS AG, Hong Kong Branch	US$ 5,000,000	US$ 7,000,000
DBS Bank Ltd.	US$ 5,000,000	US$ 7,000,000
Australia and New Zealand Banking Group Limited	US$ 5,000,000	US$ 7,000,000
Total	US$500,000,000	US$700,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("Banking Services or Transactions"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being 'offered' should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "*Risk Factors — Risks Relating to the Guarantee and the Notes — An affiliate of our largest shareholder has subscribed for a substantial portion of the 2024 Notes and it or its affiliates may purchase additional 2024 Notes in the secondary market. This substantial holding may adversely* *affect the other holders of the 2024 Notes.*" and "*Risk Factors — Risks Relating to the Guarantee and the Notes - An active trading market for the Notes may not develop*"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and/or the Guarantor. The Joint Lead Managers have received, or may in the future receive, customary fees and commissions for these transactions.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Notes. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Guarantor's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

In connection with the issue of the Notes, any of the Joint Lead Managers as Stabilizing Manager or any person acting on behalf of the Stabilizing Manager may, to the extent permitted by applicable laws and directives, over-allot the Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager will undertake stabilization action. Any loss or profit sustained as a consequence of any such overallotment or stabilization shall be for the account of the Joint Lead Managers.

SELLING RESTRICTIONS APPLICABLE TO THE OFFERING

General

The distribution of this Offering Circular and the offering and sales of the Notes in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered and, subject to certain exceptions, may not be offered or sold within the United States. The Notes and the Guarantee are being offered and sold only outside of the United States in offshore transactions in accordance with Regulation S.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

British Virgin Islands

Each Joint Lead Manager has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell the Notes.

1 Clearing Systems

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
2019 Notes	XS1089807025	108980702
2024 Notes	XS1090864528	109086452

2 Listing of the Notes

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt securities issued to professional investors (as defined in the SFO) only on the Hong Kong Stock Exchange.

3 Available Documents

Copies of the latest annual and interim reports and accounts of the Company may be obtained free of charge, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified office of the Company at Suite 601, One Pacific Place, 88 Queensway, Hong Kong during normal business hours, so long as any of the Notes is outstanding.

4 Reliance on Certificates

The Trustee may rely without liability to Noteholders on any certificate prepared by the directors of the Company or the Issuer and on any certificate or report prepared by any independent investment bank or other advisor or expert pursuant to the Terms and Conditions of the Notes and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the independent investment bank or other advisor or expert in respect thereof is limited by a monetary cap or otherwise limited or excluded; any such certificate or report shall be conclusive and binding on us, the Issuer, the Company and the Noteholders.

5. Independent Auditor

The consolidated financial statements of the Company for each of the fiscal years ended December 31, 2012 and 2013 included in this Offering Circular have been audited by PricewaterhouseCoopers, certified public accountants, Hong Kong, as stated in their reports dated March 12, 2013 and March 13, 2014.

6. Litigation

Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any proceedings or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Guarantee.

7. No Material Adverse Change

There has been no adverse changes, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2013, other than as disclosed in this Offering Circular, that is material in the context of the issue of the Notes and the Guarantee.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sino-Ocean Land Holdings Limited
(incorporated in Hong Kong with limited liability)

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR' RESPONSIBILITY

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

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 March 2014

CONSOLIDATED BALANCE SHEET

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

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

Approved by the Board of Directors on 13 March 2014

LI Ming
Executive Director

CHEN Runfu
Executive Director

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

BALANCE SHEET

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

Approved by the Board of Directors on 13 March 2014

LI Ming
Executive Director

CHEN Runfu
Executive Director

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

CONSOLIDATED INCOME STATEMENT

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the company										
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Convertible securities RMB'000	Capital securities RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		4,428,676	16,306,805	(92,435)	335,260	8,779,986	29,758,292	5,969,279	2,532,866	38,260,437	3,785,801	42,046,238
Profit for the year		–	–	–	–	4,074,741	4,074,741	–	–	4,074,741	586,375	4,661,116
Fair value losses on available-for-sale financial assets		–	–	–	(2,309)	–	(2,309)	–	–	(2,309)	–	(2,309)
Fair value gains upon disposal of available-for-sale financial assets		–	–	–	20,946	–	20,946	–	–	20,946	–	20,946
Currency translation differences		–	–	–	27,674	–	27,674	–	–	27,674	–	27,674
Total comprehensive income		–	–	–	46,311	4,074,741	4,121,052	–	–	4,121,052	586,375	4,707,427
Transactions with owners of the company												
Issue of share	27	838,636	4,121,210	–	–	–	4,959,846	–	–	4,959,846	–	4,959,846
Dividends relating to 2012		2,897	15,640	–	–	(794,200)	(775,663)	–	–	(775,663)	–	(775,663)
Dividends relating to 2013	45	44,542	192,143	–	–	(325,725)	(89,040)	–	–	(89,040)	(84,602)	(173,642)
Expenses on share-based payment	29	–	–	–	93,039	–	93,039	–	–	93,039	–	93,039
Transfer from retained earnings	29	–	–	–	128,243	(128,243)	–	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	23,330	106,074	–	(35,535)	–	93,869	–	–	93,869	–	93,869
Vesting of shares under Restricted Share Award Scheme	27	–	501	17,100	(17,601)	–	–	–	–	–	–	–
Share buyback		(1,210)	–	–	1,210	(6,834)	(6,834)	–	–	(6,834)	–	(6,834)
Purchase of shares for Restricted Share Award Scheme		–	–	(3,673)	–	–	(3,673)	–	–	(3,673)	–	(3,673)
Distribution relating to convertible securities	28	–	–	–	–	(257,531)	(257,531)	–	–	(257,531)	–	(257,531)
Distribution relating to capital securities	28	–	–	–	–	(254,349)	(254,349)	–	–	(254,349)	–	(254,349)
Repurchase of convertible securities	28	–	–	–	–	270,747	270,747	(5,969,279)	–	(5,698,532)	–	(5,698,532)
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	46,644	46,644
Total contributions by and distributions to owners of the company		908,195	4,435,568	13,427	169,356	(1,496,135)	4,030,411	(5,969,279)	–	(1,938,868)	(37,958)	(1,976,826)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries	49	–	–	–	(384,895)	–	(384,895)	–	–	(384,895)	(946,899)	(1,331,794)
Total transactions with owners of the company		908,195	4,435,568	13,427	(215,539)	(1,496,135)	3,645,516	(5,969,279)	–	(2,323,763)	(984,857)	(3,308,620)
Balance at 31 December 2013		5,336,871	20,742,373	(79,008)	166,032	11,358,592	37,524,860	–	2,532,866	40,057,726	3,387,319	43,445,045

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONSOLIDATED CASH FLOW STATEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

3.2 Subsidiaries

3.2.1 Consolidation

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

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.1 Consolidation *(Continued)*

(a) Business combinations *(Continued)*

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.2 Separate financial statements

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

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

3.3 Joint arrangements

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

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

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

3.4 Associates

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Associates *(Continued)*

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

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

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

3.5 Segment reporting

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

3.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates(unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

3.7 Properties

(a) Investment properties

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Properties *(Continued)*

(a) Investment properties *(Continued)*

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

(b) Land use rights

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

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

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

3.8 Property, plant and equipment

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Goodwill

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

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

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

3.10 Impairment of non-financial assets

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

3.11 Financial assets

3.11.1 Classification

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

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

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

(b) Loans and receivables

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

3.11.1 Classification *(Continued)*

(c) Available-for-sale financial assets

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

3.11.2 Recognition and measurement

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

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

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

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

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

3.12 Impairment of financial assets

(a) Assets carried at amortized cost

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Impairment of financial assets *(Continued)*

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

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

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

(b) Assets classified as available-for-sale

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

3.13 Derivative financial instruments

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

3.14 Land development cost recoverable

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Inventories

(a) Properties under development

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

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

(b) Completed properties held for sale

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

(c) Other inventories

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

3.16 Trade and other receivables

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

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

3.17 Cash and cash equivalents

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

3.18 Share capital

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

3.19 Convertible and Capital securities

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Trade payables

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

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

3.21 Borrowings and borrowing costs

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

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

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

3.22 Current and deferred income tax

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

3.22.1 Current income tax

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

3.22.2 Deferred income tax

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Current and deferred income tax *(Continued)*

3.22.2 Deferred income tax *(Continued)*

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

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

3.22.3 Offsetting

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

3.23 Employee benefits

(a) Employee leave entitlements

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

(b) Bonus entitlements

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

(c) Retirement benefits

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Share-based payments

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

- **Share option scheme**

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

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

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

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

- **Restricted Shares Award Scheme**

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

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

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

3.25 Provisions

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Financial guarantee liabilities

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

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

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

3.27 Contract work

Contract costs are recognized when incurred.

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

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

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

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

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

3.28 Revenue recognition

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

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

(a) Sale of properties

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

(b) Rental income

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

(c) Revenue from upfitting and construction contracts

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

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

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

(d) Property management and agency fee income

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

(e) Interest income

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

(f) Dividend income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.29 Operating leases

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

(a) The Group is the lessee

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

(b) The Group is the lessor

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

3.30 Dividend distribution

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

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

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

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

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

(b) Credit risk

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

4.2 Capital risk management

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

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Capital risk management *(Continued)*

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

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

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

4.3 Fair value estimation

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(b) 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).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4.3 Fair value estimation *(Continued)*

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

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Group				
At 31 December 2013				
Financial assets at fair value through profit or loss (Note 18)	**191,413**	**–**	**–**	**191,413**
Available-for-sale financial assets: equity securities (Note 16)	**–**	**963,187**	**188,060**	**1,151,247**
	191,413	**963,187**	**188,060**	**1,342,660**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Group				
At 31 December 2012				
Financial assets at fair value through profit or loss (Note 18)	189,076	–	–	189,076
Available-for-sale financial assets: equity securities (Note 16)	647,184	–	346,379	993,563
	836,260	–	346,379	1,182,639
Liabilities				
Group				
At 31 December 2012				
Derivative financial instruments	–	–	19,121	19,121

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

(a) Financial instruments in level 1

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation *(Continued)*

(b) Financial instruments in level 2

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

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

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

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

(c) Financial instruments in level 3

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

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

	Available-for-sale financial assets equity securities RMB'000
Financial assets in level 3	
Opening balance	346,379
Additions	3,131
Disposals	(161,450)
Closing balance	188,060

	Derivative financial instruments RMB'000
Financial liabilities in level 3	
Opening balance	19,121
Derecognized in profit or loss (Note 37)	(19,121)
Closing balance	–

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation *(Continued)*

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

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

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

	Derivative financial instruments RMB'000
Financial liabilities in level 3	
Opening balance	–
Additions	19,121
Closing balance	19,121

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimate of fair value of investment properties

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

(b) Estimate of fair value of employee share options

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Income taxes and land appreciation tax ("LAT")

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

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

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

(d) Deferred income tax

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

(e) Estimations for total properties construction cost

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

(f) Revenue recognition

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(g) Estimated impairment of assets

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

6 SEGMENT INFORMATION

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

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

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

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

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

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

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

6 SEGMENT INFORMATION *(Continued)*

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

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

6 SEGMENT INFORMATION *(Continued)*

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

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

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Total segment assets	**130,604,007**	117,250,662
Corporate cash and cash equivalents	**1,650,033**	5,271,624
Investments in joint ventures (Note 12)	**1,682,273**	1,477,657
Investments in associates (Note13)	**629,572**	665,011
Available-for-sale financial assets (Note 16)	**1,151,247**	993,563
Other investments (Note 17)	**19,676**	63,091
Financial assets at fair value through profit or loss (Note 18)	**191,413**	189,076
Deferred income tax assets (Note 34)	**1,940,419**	2,393,892
Total assets per consolidated balance sheet	**137,868,640**	128,304,576
Total segment liabilities	**57,275,448**	51,958,381
Current borrowings (Note 33)	**12,839,209**	11,519,608
Non-current borrowings (Note 33)	**22,455,625**	20,873,439
Deferred income tax liabilities (Note 34)	**1,853,313**	1,698,080
Distribution payable (Note 35)	**–**	189,709
Derivative financial instrument (Note 37)	**–**	19,121
Total liabilities per consolidated balance sheet	**94,423,595**	86,258,338

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

6 SEGMENT INFORMATION *(Continued)*

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

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

7 PROPERTY, PLANT AND EQUIPMENT

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

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

8 LAND USE RIGHTS

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

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

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

9 INVESTMENT PROPERTIES

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

9 INVESTMENT PROPERTIES *(Continued)*

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

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

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

(b) Valuation basis

Fair value measurement using significant unobservable inputs

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

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

9 INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation processes of the Group

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

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

At each financial year end the finance department:

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

Valuation techniques

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

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

Significant unobservable inputs used to determine fair value

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

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

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

9 INVESTMENT PROPERTIES *(Continued)*

(c) Non-current assets pledged as security

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

(d) Leasing arrangements

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

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

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

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

10 GOODWILL

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

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

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

10 GOODWILL *(Continued)*

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

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY

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

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

(a) Main subsidiaries

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

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Main subsidiaries *(Continued)*

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

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

(b) Material non-controlling interests

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

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

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

Summarized balance sheet

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

11 INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

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

Summarized income statement

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

Summarized cash flows

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

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

12 INVESTMENTS IN JOINT VENTURES

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

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

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

12 INVESTMENTS IN JOINT VENTURES *(Continued)*

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

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

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

(i) Although the Group holds less than 50% of the interest in Sino Prosperity Real Estate Fund L.P., the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of that fund.

(ii) Although the Group holds more than 50% of the equity shares of these two entities, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of the two entities. Accordingly, these two entities are considered as joint ventures of the Group by the directors.

(iii) Investments in these joint ventures provide more opportunities for the Group to explore business in property development and investment.

(iv) Investments in these joint ventures provide more opportunities for the Group to explore business in real estate investment.

(v) Investments in these joint ventures provide more opportunities for the Group to explore business in other business activities.

(vi) Investments in all of the Group's joint ventures are accounted for using the equity method.

(vii) There were no contingent liabilities or capital commitments relating to the Group's investment in joint ventures (2012: nil).

12 INVESTMENTS IN JOINT VENTURES *(Continued)*

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

Summarized balance sheet

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

12 INVESTMENTS IN JOINT VENTURES *(Continued)*

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

Summarized statement of comprehensive income

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

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

12 INVESTMENTS IN JOINT VENTURES *(Continued)*

(c) Reconciliation of summarized financial information

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

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

13 INTERESTS IN ASSOCIATES

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

13 INTERESTS IN ASSOCIATES *(Continued)*

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

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

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

(i) Although the Group holds less than 20% of the equity shares of Guoshou Yuantong, the Group is able to exercise significant influence under the contractual agreement in the strategic financial and operating policy decisions of that company.

(ii) Investments in these associates provide the Group with more opportunities to explore business in property development business.

(iii) Investments in these associates provide more opportunities for the Group to involve in related services to support property development, such as architectural design and property management.

(iv) There were no contingent liabilities or capital commitments relating to the Group's interests in the associates (2012: nil).

13 INTERESTS IN ASSOCIATES *(Continued)*

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

Summarized balance sheet

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

13 INTERESTS IN ASSOCIATES *(Continued)*

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

Summarized statement of comprehensive income

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

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

13 INTERESTS IN ASSOCIATES *(Continued)*

(c) Reconciliation of summarized financial information

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

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

14 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

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

14 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(a) Group *(Continued)*

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

(b) Company

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

14 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(b) Company *(Continued)*

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

15 CREDIT QUALITY OF FINANCIAL ASSETS

(a) Group

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

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

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

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

(b) Company

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

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(a) On 31 March 2008, SOL Investment Fund Limited ("SOL"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, for the purpose of carrying out investment activities for the Group. The sole underlying investment of SOL is SOL Fund, representing a portfolio of investments in listed shares, and its fair value as at 31 December 2012 was based on the respective quoted closing prices. SOL was liquidated during the year and all the underlying investments were disposed of accordingly.

(b) Available-for-sale financial assets of the Group include certain unlisted equity securities which are mainly denominated in RMB. The fair value of unlisted securities approximates the Group's share of the net asset values of the respective entities.

(c) To diversify the Group's investment risk and further enhance the return of the Group's investments, the Group has invested in several unlisted funds amounting to RMB713,187,000 during the year. As the Group has no power to govern or participate in the financial operating policies of the fund investment entities so as to obtain benefits from its activities and does not intend to trade these funds for short-term profit, the directors of the Company has designated these funds as available-for-sale financial assets.

(d) The fair value of structured products approximates the carrying amount of such investment.

Available-for-sale financial assets include the following:

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

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

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

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

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

17 OTHER INVESTMENTS

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

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

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

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

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

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

19 PROPERTIES UNDER DEVELOPMENT

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

Land use rights are analyzed as follows:

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

Properties under development are all located in the PRC.

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

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

20 LAND DEVELOPMENT COST RECOVERABLE

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

21 PREPAYMENTS FOR LAND USE RIGHTS

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

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

22 TRADE AND OTHER RECEIVABLES

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

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

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables

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

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

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

(ii) As at 31 December 2013, trade receivables of RMB101,437,000 (2012: RMB80,269,000) were impaired. The individually impaired receivables mainly related to receivables of upfitting and property management fees.

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

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

(b) As at 31 December 2013, entrusted loans amounting to RMB175,000,000 (2012: RMB175,000,000) represent amounts lent to certain third parties. These balances are secured by respective share capital of the third parties and repayable on demand, interest bearing from 6% to 6.67% per annum (2012: from 5.56% to 6.65%), and are repayable on demand.

(c) Entrusted loans to joint ventures are unsecured, bearing interest rate from 3.8% to 7.5% per annum (2012: nil) and are repayable in 2014.

(d) Entrusted loan to an associate is unsecured, bearing interest rate from 5.31% to 7% per annum (2012: 5.31%) and are repayable in 2014.

(e) Entrusted loan to a non-controlling interest is unsecured, bearing interest rate of 12% per annum (2012: nil), included in current portion, and are repayable in 2014.

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(f) Receivables from government mainly represent payment made for land development cost, and some deposits paid to the local government to ensure the business activities of property development which will be subsequently recoverable by the government.

(g) Amounts due from joint ventures, associates and non-controlling interests are interest free, and repayable on demand.

(h) Balances represent amounts paid to certain third parties, with the intention of future cooperation in real estate project development. As at 31 December 2013, the related cooperation plans are still in negotiation stage.

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

23 COMPLETED PROPERTIES HELD FOR SALE

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

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

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

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

Land use rights are analyzed as follows:

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

24 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

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

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

25 RESTRICTED BANK DEPOSITS

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

26 CASH AND CASH EQUIVALENTS

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

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

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

27 SHARE CAPITAL AND PREMIUM

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

27 SHARE CAPITAL AND PREMIUM *(Continued)*

(a) On 27 September 2013, the Company entered into a subscription agreement with each of the two shareholders, pursuant to which the two shareholders conditionally agreed to subscribe for the Company's shares of a total of 635,941,967 and 686,611,211 respectively. The issuance of shares was completed on 22 November at subscription price of HKD4.74 per share.

(b) On 22 March 2010, the board of the Company resolved to adopt a Restricted Share Award Scheme, pursuant to which existing shares were purchased from the market and held in trust for the relevant selected employees, until such shares are vested in accordance with the provision of the scheme. As at 31 December 2013, 22,983,163 (2012: 6,247,296) shares were granted but not yet vested under the scheme.

28 RETAINED EARNINGS

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

29 RESERVES

(a) Group

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

29 RESERVES *(Continued)*

(a) Group *(Continued)*

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

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

29 RESERVES *(Continued)*

(b) Company

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

30 SHARE OPTIONS

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

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

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

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

30 SHARE OPTIONS *(Continued)*

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

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

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

31 CONVERTIBLE SECURITIES

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

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

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

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

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

32 CAPITAL SECURITIES

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

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

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

33 BORROWINGS

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

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

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

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

33 BORROWINGS *(Continued)*

(b) Other borrowings, interest bearing

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

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

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

(ii) Such loans bear interest rate from 7.5% to 13% per annum. Approximating RMB2,650,000,000 on the loan portion(2012:RMB500,000,000) are repayable after one year are included in the non-current portion.

(iii) The balances represent the loans from a shareholder as at 31 December 2013. Such loans bears interest at 4.2%, and are wholly repayable in 2014.

(iv) The balances represent the loans from two of the Group's joint ventures to the Group's subsidiaries as at 31 December 2012. Such loans bear interest at floating rates, and were fully repaid in 2013.

(v) The balance represents borrowings from certain individual third parties, bearing interest rate from 10% to 12% per annum. A portion of RMB2,000,000 (2012: RMB361,416,000) of the loan are repayable after one year and are included in the non-current portion.

33 BORROWINGS *(Continued)*

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

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

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

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

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

33 BORROWINGS *(Continued)*

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

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

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

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

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

34 DEFERRED INCOME TAX

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

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

34 DEFERRED INCOME TAX *(Continued)*

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

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

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

Deferred income tax assets

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

34 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities

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

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

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

35 TRADE AND OTHER PAYABLES

(a) Group

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

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

(i) Amounts due to a shareholder, joint ventures, associates, non-controlling interests are unsecured, interest free, and repayable on demand.

(ii) The financial guarantee liabilities given for purchasers of the Group's properties as set out in Note 47 is as follows:

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

35 TRADE AND OTHER PAYABLES *(Continued)*

(a) Group *(Continued)*

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

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

(b) Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Other payables	**30,404**	23,336

36 ADVANCE RECEIPTS FROM CUSTOMERS

These represent amounts received from customers for sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at year-end.

37 DERIVATIVE FINANCIAL INSTRUMENT

As at 31 December 2012, derivative financial instrument represents an option to acquire certain shares of a Hong Kong listed company granted to a third party during 2012. In December 2013, the Group entered into another supplemental agreement with the third party to cancel the granted option. As a result, the Group derecognized such derivative financial instrument and recorded a gain amounting to RMB19,121,000 (Note 39) to the income statement for the year ended 31 December 2013.

38 INTEREST AND OTHER INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest income	**271,613**	110,308
Dividend income from available-for-sale financial assets	**11,960**	16,253
Others	**92,591**	82,227
	376,164	208,788

The balances include Investment income which comprise of interest income from entrusted loans and dividend income from available-for-sale financial assets. The investment incomes from listed and unlisted investments for the year ended 31 December 2013 are RMB4,254,000 (2012: RMB3,103,000) and RMB67,049,000 (2012: RMB67,103,000), respectively.

39 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Gains on disposal of a subsidiary (Note 50)	**27,489**	70,685
Gains on disposal of partial interests in an associate to a subsidiary of a shareholder (Note 51(b))	**–**	20,333
Gains on disposal of a joint venture	**1,666**	–
Fair value losses of other investment	**(672)**	(1,623)
(Losses)/gains on disposal of other investments	**(5,601)**	1,238
Gains on revaluation of financial assets at fair value through profit or loss	**10,299**	17,365
Gains on disposal of financial assets at fair value through profit or loss	**3,629**	5,601
Goodwill impairment (Note 10(i))	**–**	(125,527)
Gains/(losses) on disposal of property, plant and equipment	**63**	(692)
Impairment losses on available-for-sale financial assets	**–**	(40,800)
Losses on disposal of available-for-sale financial assets	**(20,946)**	–
Exchange gains	**100,120**	5,409
Gains on de-recognition of derivative financial instrument (Note 37)	**19,121**	–
Losses on de-recognition of receivable from disposals of subsidiaries	**–**	(8,709)
Other losses	**(32,710)**	(69,237)
	102,458	(125,957)

40 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	**4,959,728**	4,245,869
— Capitalized interest	**1,009,184**	1,100,549
— Construction related cost	**13,415,850**	11,830,570
Cost of up fitting services rendered	**1,495,678**	1,400,986
Direct investment property expenses (Note 9)	**95,285**	47,980
Employee benefit expense (Note 41)	**566,085**	733,805
Consultancy fee	**190,046**	121,484
Auditor's remuneration	**13,826**	13,802
Depreciation (Note 7)	**33,669**	46,817
Amortization of land use rights (Note 8)	**246**	246
Advertising and marketing	**765,850**	879,977
Business taxes and other levies	**1,862,785**	1,654,614
Impairment losses (a)	**28,127**	118,076
Office expenditure	**117,734**	102,127
Property maintenance expenses	**254,131**	193,273
Energy expenses	**75,743**	62,583
Others	**128,568**	222,277
	25,012,535	22,775,035

(a) Included in the impairment losses for the year was a reversal of impairment losses amounting to RMB105,600,000 (2012: reversal of RMB43,853,000), details of which are as follows:

On 8 January 2008, the Group subscribed certain notes receivables with an aggregate principal amount of USD30,000,000 (the "Notes"), equivalent of RMB218,373,000, from an independent third party.

As at 31 December 2011, the Group, together with other subscribers (the "investors") of the Notes, was in arrangement with the issuer for repayments of the principal of the Notes, as well as respective interest. On 20 January 2012, a payment deed was signed between the investors and the issuer of the Notes, with principal and respective interest committed to be fully settled by 2014.

The Group reassessed the credit risk of the note receivables and an impairment provision of RMB149,453,000 was made as at 31 December 2011.

As at 31 December 2012, the Group reversed part of the impairment provision of the note receivables amounting to RMB43,853,000 due to partial repayments of the principal of the Notes amounting to RMB90,000,000.

As at 31 December 2013, the Group further reversed the remaining impairment provision of the note receivables amounting to RMB105,600,000 due to the full settlement of the principal of the Notes and the relevant interest incomes, amounting to RMB157,500,000 in total. The write back of the impairment provision was recognised in the profit or loss in 2013.

Other than the above, impairment losses for the year amounted to RMB133,727,000 (2012: RMB161,929,000) represents provision made for properties under development, completed properties held for sale and trade and other receivables.

41 EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Group, including the directors' emoluments is as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Salaries, wages and bonuses	**686,695**	974,571
Retirement benefits contribution	**70,294**	60,095
Share options granted to directors and employees	**42,443**	98,003
Restricted Share Award Scheme	**50,596**	21,237
Other allowances and benefits	**171,949**	133,757
	1,021,977	1,287,663
Less: capitalized in properties under development	**(455,892)**	(553,858)
	566,085	733,805

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2013 and 2012.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD25,000).

41 EMPLOYEE BENEFITS EXPENSE *(Continued)*

(a) Directors' emoluments

The remuneration of every director for the years is set out below:

	Year ended 31 December											
	2013						2012					
	Fees RMB'000	Salary and bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other long-term welfare RMB'000	Share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salary and bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other long-term welfare RMB'000	Share-based payments RMB'000	Total RMB'000
Mr. Li Ming	–	4,760	3,060	1,081	8,084	16,985	–	4,630	3,365	1,072	7,612	16,679
Mr. Chen Runfu	–	2,240	81	–	1,921	4,242	–	2,430	152	–	2,655	5,237
Mr. Wen Haicheng (a)	–	1,550	81	–	2,169	3,800	–	–	–	–	–	–
Ms. Liu Hui	–	–	–	–	269	269	–	–	–	–	336	336
Mr. Yang Zheng	–	–	–	–	234	234	–	–	–	–	259	259
Mr. Cheung Sai Sing	236	–	–	–	234	470	243	–	–	–	259	502
Mr. Tsang Hing Lun	236	–	–	–	329	565	243	–	–	–	498	741
Mr. Gu Yunchang	236	–	–	–	329	565	243	–	–	–	498	741
Mr. Han Xiaojing	236	–	–	–	329	565	243	–	–	–	498	741
Mr. Zhao Kang	236	–	–	–	329	565	243	–	–	–	498	741
Mr. Wang Xiaoguang (b)	–	–	–	–	–	–	–	8,070	171	–	3,112	11,353
	1,180	8,550	3,222	1,081	14,227	28,260	1,215	15,130	3,688	1,072	16,225	37,330

(a) Mr. Wen Haicheng was appointed as Executive Director on 10 May 2013.

(b) Mr. Wang Xiaoguang was retired as Executive Director on 10 May 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Basic salaries and allowance	**5,150**	4,620
Bonuses	**3,140**	8,510
Retirement scheme contributions	**368**	370
Share-based payments	**7,771**	11,984
	16,429	25,484

41 EMPLOYEE BENEFITS EXPENSE *(Continued)*

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

The emoluments fell within the following bands:

	Year ended 31 December	
	2013	2012
RMB3,931,000 (equivalent to HK$5,000,000) to RMB4,324,000 (equivalent to HK $5,500,000)	**1**	–
RMB5,110,000 (equivalent to HK$6,500,000) to RMB5,504,000 (equivalent to HK$7,000,000)	**2**	–
RMB5,897,000 (equivalent to HK$7,500,000) to RMB6,290,000 (equivalent to HK$8,000,000)	**1**	–
RMB7,469,000 (equivalent to HK$9,500,000) to RMB7,862,000 (equivalent to HK$10,000,000)	**–**	1
RMB8,255,000 (equivalent to HK$10,500,000) to RMB8,649,000 (equivalent to HK$11,000,000)	**–**	1
RMB9,435,000 (equivalent to HK$12,000,000) to RMB9,828,000 (equivalent to HK$12,500,000)	**–**	1
RMB11,007,000 (equivalent to HK$14,000,000) to RMB11,400,000 (equivalent to HK$14,500,000)	**–**	1
RMB16,511,000 (equivalent to HK$21,000,000) to RMB16,904,000 (equivalent to HK$21,500,000)	**–**	1
RMB16,904,000 (equivalent to HK$21,500,000) to RMB17,297,000 (equivalent to HK$22,000,000)	**1**	–
	5	5

(c) During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

42 FINANCE COSTS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	**1,520,427**	2,019,193
— Other borrowings	**1,064,320**	926,623
Less: interest capitalized at a capitalization rate of 7.33% (2012: 7.72%) per annum	**(2,221,143)**	(2,320,453)
	363,604	625,363

43 INCOME TAX EXPENSE

Majority of the group entities are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the years ended 31 December 2013 and 2012. Other group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**1,285,697**	2,308,304
— PRC land appreciation tax	**780,074**	1,519,021
Deferred income tax (Note 34)	**614,010**	(579,718)
	2,679,781	3,247,607

43 INCOME TAX EXPENSE *(Continued)*

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before income tax	**7,340,897**	7,234,916
Adjust for: Share of gains of joint ventures	**(347,390)**	(362,060)
Share of losses of associates	**16,311**	2,677
	7,009,818	6,875,533
Tax calculated at a tax rate of 25%	**1,752,455**	1,718,883
Effect of higher tax rate for the appreciation of land in the PRC	**585,056**	1,139,265
Income not subject to tax	**(333)**	(3,025)
Expenses not deductible for tax purposes	**199,074**	279,815
Dividend withholding tax	**151,972**	83,095
Tax losses not recognized	**70,689**	77,492
Utilization of previously unrecognized tax losses	**(79,132)**	(47,918)
Income tax expense	**2,679,781**	3,247,607

44 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as share held for Restricted Share Award Scheme (Note 27).

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**4,074,741**	3,796,032
Distribution relating to convertible and capital securities (RMB'000)	**(511,880)**	(707,177)
Profit used to determine basic earnings per share (RMB'000)	**3,562,861**	3,088,855
Weighted average number of ordinary shares in issue (thousands)	**6,015,516**	5,702,860
Basic earnings per share (RMB per share)	**0.592**	0.542

44 EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, shares held for the Restricted Share Award Scheme, and convertible securities. For the share option and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and the unvested awarded shares. Convertible securities when calculated on an average basis, were not included in the calculation of dilutive earnings per share for the years ended 31 December 2012 because of their anti-diluted effect, and there are no outstanding convertible shares as at 31 December 2013 due to the repurchase of all the convertible securities (Note 31).

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**4,074,741**	3,796,032
Distribution relating to convertible and capital securities (RMB'000)	**(511,880)**	(707,177)
Profit used to determine diluted earnings per share (RMB'000)	**3,562,861**	3,088,855
Weighted average number of ordinary shares in issue (thousands)	**6,015,516**	5,702,860
Adjustment for:		
— share options (thousands)	**34,841**	2,885
— shares held for the Restricted Share Award Scheme (thousands)	**2,933**	320
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**6,053,290**	5,706,065
Diluted earnings per share (RMB per share)	**0.589**	0.541

45 DIVIDENDS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interim dividend paid	**325,725**	283,391
Proposed final dividend of RMB0.13 (2012: RMB0.14) per ordinary share (a)	**920,391**	806,942

(a) On 13 March 2014, the Company proposed a final dividend of RMB920,391,000 for the year ended 31 December 2013.

46 CASH USED IN OPERATIONS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit for the year	**4,661,116**	3,987,309
Adjustments for:		
— Income tax expense (Note 43)	**2,679,781**	3,247,607
— Depreciation (Note 7)	**33,669**	46,817
— Amortization of land use rights (Note 8)	**246**	246
— Valuation gains on investment properties (Note 9)	**(807,950)**	(1,535,304)
— Goodwill related to properties sold charged to cost of sales (Note 10)	**217,763**	47,570
— Goodwill impairment (Note 10)	**–**	125,527
— Share of results of joint ventures (Note 12)	**(347,030)**	(355,785)
— Gains on disposal of joint venture (Note 39)	**(1,666)**	–
— Share of results of associates (Note 13)	**35,839**	20,935
— Other losses on de-recognition of receivable from disposals of subsidiaries (Note 39)	**–**	8,709
— Dividend income from available-for-sale financial assets (Note 38)	**(11,960)**	(16,253)
— Interest income	**(95,793)**	(53,953)
— Gains on disposal of subsidiaries (Note 39)	**(27,489)**	(70,685)
— Gains on disposal of partial interests in an associate (Note 39)	**–**	(20,333)
— Losses on disposal of available-for-sale financial assets (Note 39)	**20,946**	–
— (Gains)/losses on sale of property, plant and equipment (Note 39)	**(63)**	692
— Fair value losses from other investment (Note 39)	**672**	1,623
— Fair value gains on financial assets at fair value through profit or loss (Note 39)	**(10,299)**	(17,365)
— Gains on de-recognition of derivative financial instrument(Note 39)	**(19,121)**	–
— Impairment loss of available-for-sale financial assets (Note 39)	**–**	40,800
— Other losses (Note 39)	**32,710**	69,237
— Impairment losses (Note 40)	**28,126**	118,076
— Finance costs (Note 42)	**363,604**	625,363
— Exchange losses	**58,563**	747
— Share-based payments	**93,039**	119,240
	6,904,703	6,390,820
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	**(5,372,908)**	(5,935,603)
— Inventories, at cost	**(20,250)**	(10,638)
— Amounts due from customers for contract work	**(164,376)**	(412,420)
— Trade and other receivables	**(215,259)**	(2,666,472)
— Land development cost recoverable	**(75,347)**	456,529
— Prepayments for land use rights	**(7,262,376)**	3,104,873
— Cooperation deposits	**–**	(10,144)
— Trade and other payables	**1,924,785**	6,212,043
— Other investments	**42,743**	(49,134)
— Financial assets at fair value through profit or loss	**7,962**	297,389
— Prepayments	**440,757**	(394,198)
— Advanced proceeds received from customers	**3,922,327**	8,575,015
— Properties under development	**5,866,270**	(4,656,781)
— Restricted bank deposits	**602,165**	(1,630,375)
Cash generated from operations	**6,601,196**	9,270,904

46 CASH USED IN OPERATIONS *(Continued)*

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Net book amount (Note 7)	**7,110**	11,280
Gains/(losses) on disposal of property, plant and equipment (Note 39)	**63**	(692)
Proceeds from disposal of property, plant and equipment	**7,173**	10,588

47 FINANCIAL GUARANTEES

(a) Group

The Group had the following financial guarantees as 31 December 2013 and 2012:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**5,733,299**	3,837,194

As at 31 December 2013 and 2012, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) Company

As at 31 December 2013, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of capital securities (Note 32).

As at 31 December 2012, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of convertible securities (Note 31) and capital securities (Note 32).

48 COMMITMENTS

(a) Capital commitments

(i) Capital commitments — Group

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Land use rights	**2,679,935**	7,710,225
Properties under development	**9,606,370**	23,018,868
Contracted but not provided for	**12,286,305**	30,729,093

(ii) Capital commitments — Company

There are no capital commitments relating to the Company for the year ended 2013 and 2012.

(b) Operating lease rental receivables

(i) Operating lease rental receivables — Group

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 1 year	**618,627**	425,433
Between 1 to 5 years	**843,897**	839,995
Over 5 years	**736,788**	105,019
	2,199,312	1,370,447

(ii) Operating lease rental receivables — Company

There are no operating lease rental receivables relating to the Company for the year ended 2013 and 2012.

49 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary

(i) In May 2013, the Group acquired an additional 50% equity interest in Zhongshan Yuanjian Real Estate Development Company Limited ("Zhongshan Yuanjian") at consideration of RMB142,000,000. The effect of changes in the ownership interest in Zhongshan Yuanjian on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	7,404
Consideration paid to non-controlling interests	(142,000)
Excess of consideration paid recognized within equity	(134,596)

(ii) In May 2013, the Group acquired an additional 15% equity interest in Sino-Ocean Land Real Estate (Liaoning) Development Company Limited ("Sino-Ocean Land (Liaoning)") at consideration of RMB9,000,000.The effect of changes in the ownership interest of Sino-Ocean Land (Liaoning) on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	(579)
Consideration paid to non-controlling interests	(9,000)
Excess of consideration paid recognized within equity	(9,579)

(iii) In May 2013, the Group acquired an additional 30% equity interest in Mizhiyun Calling Center ("Mizhiyun") at consideration of RMB45,000,000. The effect of changes in the ownership interest in Mizhiyun on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	18,883
Consideration paid to non-controlling interests	(45,000)
Excess of consideration paid recognized within equity	(26,117)

49 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

(a) Acquisition of additional interest in a subsidiary *(Continued)*

(iv) In November 2013, the Group acquired an additional 10% equity interest in Dalian Xinyue Property Development Co., Ltd, Dalian Guangyu Property Development Co., Ltd, Dalian Zhiyuan Property Development Co., Ltd, Dalian Yongtu Property Development Co., Ltd, Dalian Runfeng Property Development Co., Ltd and Dalian Shengji Property Development Co., Ltd, (collectively "Project Ocean Diamond Bay") at consideration of RMB983,083,000 from a subsidiary of a shareholder. The carrying amount of the non-controlling interests in Project Ocean Diamond Bay on the date of acquisition was RMB931,308,000. The effect of changes in the ownership interest of Project Ocean Diamond Bay on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	**931,308**
Consideration paid to non-controlling interests	**(983,083)**
Excess of consideration paid recognized within equity	**(51,775)**

(v) In November 2013 the Group acquired an additional 20% equity interest in Beijing Skyriver CBD Property Co., Ltd ("Skyriver") at consideration of RMB152,711,000 from a subsidiary of a shareholder. The carrying amount of the non-controlling interests in Skyriver on the date of acquisition was RMB10,117,000. The effect of changes in the ownership interest of Skyriver on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	**(10,117)**
Consideration paid to non-controlling interests	**(152,711)**
Excess of consideration paid recognized within equity	**(162,828)**

49 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

(b) Effects of transactions with non-controlling interests on the equity attributable to equity holders for the year ended 31 December 2013:

	2013 RMB'000
Total comprehensive income for the year attributable to the owners of the Company	4,093,373
Changes in equity attributable to owners of the Company arising from the acquisition of additional interests in a subsidiary	(384,895)
	3,708,478

50 DISPOSAL OF SUBSIDIARIES

(a) In February 2013, a subsidiary of the Group entered into an agreement with Pacific Sunrise Holdings Limited, an independent third party, to dispose of Trendex Investment Limited, a subsidiary of the Group. The subsidiary was sold in May 2013 for cash consideration of RMB138,311,000.

	2013 RMB'000
Proceeds on disposal of subsidiary	138,311
Carrying value of the subsidiary disposed — shown as below	(110,822)
Gains on disposal of the subsidiary	27,489

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	5
Investment properties (Note 9)	116,000
Trade and other receivables	3,351
Other payables	(3,230)
Deferred income tax liabilities	(5,304)
Net assets disposed	110,822
Inflow of cash to disposed business, net of cash disposed	
Proceeds received in cash	138,311
Cash and cash equivalents in subsidiary disposed of	–
Cash inflow on disposal	138,311

51 RELATED PARTY TRANSACTIONS

Save as disclosed in Note 27 and Note 49(a)(iv) and (v), the following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2013 and 2012:

(a) Sales of services

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Provision of services (i):		
— A shareholder	**37,106**	54,641
— A joint venture	**18,774**	89,765
— An associate	**119,573**	159,390
	175,453	303,796

(i) Sales of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreement.

(b) Transaction with a subsidiary of a shareholder

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Gains on disposal of partial interest in an associate to a subsidiary of a shareholder (i)	**–**	20,333

(i) In April 2012, the Group disposed of partial interest of an associate to a subsidiary of a shareholder, for cash consideration of RMB141,000,000 (Note 13 and Note 39).

(c) Key management compensation

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**32,719**	56,832
Post-employment benefits	**3,458**	6,216
Other long-term welfare	**1,081**	2,672
Share-based payments	**35,739**	42,853
	72,997	108,573

51 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Year-end balances arising from sales of services

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Receivables from related parties:		
— An associate	**615**	1,199
— Joint ventures	**10,951**	27,221
	11,566	28,420
Advance receipts from related parties (i):		
— An associate	**33,382**	338
— Shareholder	**436**	–
— Joint ventures	**38**	85,656
	33,856	85,994

(i) Sales of services mainly represent construction service, the terms of which are entered into with related parties in accordance with the terms of agreements.

(e) Interest income

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest received:		
— An associate	**16,046**	4,721
— Joint ventures	**3,426**	118
	19,472	4,839

51 RELATED PARTY TRANSACTIONS *(Continued)*

(f) Loans to related parties

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**–**	25,000
Loans advanced during year	**198,500**	19,020
Loans repayments received	**–**	(44,020)
Interest charged	**(3,426)**	(118)
Interest received	**3,426**	118
At 31 December (Note 22(c))	**198,500**	–
An associate:		
At 1 January	**398,306**	415,771
Loans advanced during year	**2,212,846**	438,076
Loans repayments received	**(2,099,152)**	(455,541)
Interest charged	**(16,046)**	(4,721)
Interest received	**16,046**	4,721
At 31 December (Note 22(d))	**512,000**	398,306

51 RELATED PARTY TRANSACTIONS *(Continued)*

(g) Amounts due from related parties

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Joint ventures:		
At 1 January	**1,031,333**	1,156,756
Amounts advanced during year	**377,112**	406,577
Repayments during year	**(234,900)**	(532,000)
At 31 December (Note 22(g))	**1,173,545**	1,031,333
An associate:		
At 1 January	**219,285**	63,453
Amounts advanced during year	**562,360**	174,522
Repayments during year	**(412,528)**	(18,690)
At 31 December (Note 22(g))	**369,117**	219,285

(h) Advances from related parties

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
A shareholder:		
At 1 January	**–**	–
Loans advanced during year	**609,690**	–
Interest charged	**48,506**	–
Interest paid	**(48,506)**	–
At 31 December (Note 33(b)(iii))	**609,690**	–

51 RELATED PARTY TRANSACTIONS *(Continued)*

(i) Amounts due to related parties

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
A shareholder:		
At 1 January	**–**	–
Amounts advanced during year	**400,000**	–
At 31 December (Note 35(a)(i))	**400,000**	–
Joint ventures:		
At 1 January	**1,886**	3,181
Repayments during year	**(1,886)**	(1,295)
At 31 December (Note 35(a)(i))	**–**	1,886
Associates:		
At 1 January	**194,338**	190
Amounts advanced during year	**–**	194,148
Repayments during year	**(193,953)**	–
At 31 December (Note 35(a)(i))	**385**	194,338

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sino-Ocean Land Holdings Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 88 to 179, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 March 2013

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**212,817**	225,472
Land use rights	8	**9,231**	9,477
Investment properties	9	**7,202,254**	5,462,375
Goodwill	10	**457,286**	630,383
Interests in jointly controlled entities	12	**1,477,657**	1,052,135
Interests in associates	13	**665,011**	606,013
Available-for-sale financial assets	16	**838,163**	244,727
Trade and other receivables	22	**475,129**	598,245
Deferred income tax assets	34	**2,393,892**	1,502,833
		13,731,440	10,331,660
Current assets			
Deposits for land use rights	21	**5,083,619**	8,188,492
Properties under development	19	**71,974,209**	65,470,147
Inventories, at cost		**78,787**	68,149
Amounts due from customers for contract work	24	**832,163**	419,743
Land development cost recoverable	20	**1,638,503**	4,028,979
Completed properties held for sale	23	**9,091,870**	3,274,201
Available-for-sale financial assets	16	**155,400**	196,200
Other investment	17	**63,091**	15,580
Financial assets at fair value through profit or loss	18	**189,076**	412,486
Trade and other receivables	22	**9,319,742**	5,463,192
Restricted bank deposits	25	**5,399,197**	3,768,822
Cash and cash equivalents	26	**10,747,479**	8,647,794
		114,573,136	99,953,785
Total assets		**128,304,576**	110,285,445
EQUITY			
Capital and reserves attributable to owners of the company			
Share capital and premium	27	**20,735,481**	20,231,084
Shares held for Restricted Share Award Scheme	27	**(92,435)**	(131,959)
Reserves	29	**335,260**	169,548
Retained earnings	28		
— Proposed final dividend	45	**806,942**	462,059
— Others		**7,973,044**	6,035,547
		29,758,292	26,766,279
Convertible securities	31	**5,969,279**	5,969,279
Capital securities	32	**2,532,866**	2,532,866
		38,260,437	35,268,424
Non-controlling interests		**3,785,801**	3,488,740
Total equity		**42,046,238**	38,757,164

		As at 31 December	
	Note	**2012** **RMB'000**	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	33	**20,873,439**	19,105,661
Deferred income tax liabilities	34	**1,698,080**	1,386,739
		22,571,519	20,492,400
Current liabilities			
Borrowings	33	**11,519,608**	14,481,805
Trade and other payables	35	**16,190,564**	10,174,821
Advances from customers	36	**30,681,259**	22,870,209
Income tax payable		**5,276,267**	3,509,046
Derivative financial instrument	37	**19,121**	–
		63,686,819	51,035,881
Total liabilities		**86,258,338**	71,528,281
Total equity and liabilities		**128,304,576**	110,285,445
Net current assets		**50,886,317**	48,917,904
Total assets less current liabilities		**64,617,757**	59,249,564

Approved by the Board of Directors on 12 March 2013

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

BALANCE SHEET

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSET			
Non-current assets			
Investments in subsidiaries	11	**3,495,434**	3,517,692
Current assets			
Amounts due from subsidiaries	11	**30,950,509**	29,794,598
Other receivables		**2,060**	2,060
Cash and cash equivalents	26	**433,817**	386,071
		31,386,386	30,182,729
Total assets		**34,881,820**	33,700,421
EQUITY			
Share capital and premium	27	**20,735,976**	20,231,084
Reserve	29	**446,360**	358,384
Retained earnings	28		
— proposed final dividend	45	**806,942**	462,059
— others		**428,964**	560,267
Total equity		**22,418,242**	21,611,794
LIABILITY			
Non-current liabilities			
Borrowings	33	**3,575,128**	–
Current liabilities			
Borrowings	33	**362,971**	3,558,678
Amount due to subsidiaries	11	**8,502,143**	8,502,145
Other payables	35	**23,336**	27,804
		8,888,450	12,088,627
Total liabilities		**12,463,578**	12,088,627
Total equity and liabilities		**34,881,820**	33,700,421
Net current assets		**22,497,936**	18,094,102
Total assets less current liabilities		**25,993,370**	21,611,794

Approved by the Board of Directors on 12 March 2013

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	6	**28,657,796**	19,896,946
Cost of sales		**(20,958,600)**	(13,639,195)
Gross profit		**7,699,196**	6,257,751
Interest and other income	38	**208,788**	224,992
Other (losses)/gains — net	39	**(125,957)**	128,258
Fair value gains on investment properties	9	**1,535,304**	512,778
Selling and marketing expenses		**(962,992)**	(776,087)
Administrative expenses		**(853,443)**	(820,250)
Operating profit		**7,500,896**	5,527,442
Finance costs	42	**(625,363)**	(419,436)
Share of gains of jointly controlled entities		**362,060**	68,911
Share of losses of associates		**(2,677)**	(2,571)
Profit before income tax		**7,234,916**	5,174,346
Income tax expense	43	**(3,247,607)**	(2,553,548)
Profit for the year		**3,987,309**	2,620,798
Attributable to:			
Owners of the company		**3,796,032**	2,570,657
Non-controlling interests		**191,277**	50,141
		3,987,309	2,620,798
Earnings per share attributable to owners of the company during the year (expressed in RMB)			
Basic earnings per share	44	**0.542**	0.352
Diluted earnings per share	44	**0.541**	0.351

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
Profit for the year		**3,987,309**	2,620,798
Other comprehensive income			
Fair value gains/(losses) on available-for-sale financial assets	29	**22,610**	(38,183)
Reserves realized upon disposal of available-for-sale financial assets	29	**–**	(18,279)
Currency translation differences	29	**(13,633)**	(13,906)
Other comprehensive income for the year		**8,977**	(70,368)
Total comprehensive income for the year		**3,996,286**	2,550,430
Total comprehensive income attributable to:			
— Owners of the company		**3,805,009**	2,500,289
— Non-controlling interests		**191,277**	50,141
		3,996,286	2,550,430

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the company										
		Share capital	Share premium	Shares held for Restricted Share Award Scheme	Other reserves	Retained earnings	Total	Convertible securities	Capital securities	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012		4,304,667	15,926,417	(131,959)	169,548	6,497,606	26,766,279	5,969,279	2,532,866	35,268,424	3,488,740	38,757,164
Profit for the year		–	–	–	–	3,796,032	3,796,032	–	–	3,796,032	191,277	3,987,309
Other comprehensive income:												
Fair value gains on available-for-sale financial assets		–	–	–	22,610	–	22,610	–	–	22,610	–	22,610
Currency translation differences		–	–	–	(13,633)	–	(13,633)	–	–	(13,633)	–	(13,633)
Total comprehensive income		–	–	–	8,977	3,796,032	3,805,009	–	–	3,805,009	191,277	3,996,286
Transactions with owners of the company												
Dividends relating to 2011		70,998	202,078	–	–	(461,745)	(188,669)	–	–	(188,669)	(28,500)	(217,169)
Dividends relating to 2012		44,664	150,519	–	–	(283,391)	(88,208)	–	–	(88,208)	–	(88,208)
Expenses on share-based payment	29	–	–	–	119,240	–	119,240	–	–	119,240	–	119,240
Transfer from retained earnings	29	–	–	–	61,339	(61,339)	–	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	8,347	28,286	–	(10,027)	–	26,606	–	–	26,606	–	26,606
Vesting of shares under restricted share award scheme	27	–	(495)	39,524	(39,029)	–	–	–	–	–	–	–
Distribution relating to convertible securities	28	–	–	–	–	(448,809)	(448,809)	–	–	(448,809)	–	(448,809)
Distribution relating to capital securities	28	–	–	–	–	(258,368)	(258,368)	–	–	(258,368)	–	(258,368)
Contribution from non-controlling interests		–	–	–	104,110	–	104,110	–	–	104,110	478,653	582,763
Total contributions by and distributions to owners of the company		124,009	380,388	39,524	235,633	(1,513,652)	(734,098)	–	–	(734,098)	450,153	(283,945)
Increase in non-controlling interests as a result of disposal of interests without change of control		–	–	–	1,174	–	1,174	–	–	1,174	1,826	3,000
Increase in non-controlling interests as a result of acquisition of additional interests in a subsidiary		–	–	–	(536)	–	(536)	–	–	(536)	536	–
Increase in non-controlling interests as a result of other acquisition		–	–	–	–	–	–	–	–	–	26,360	26,360
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	49	–	–	–	(79,536)	–	(79,536)	–	–	(79,536)	(266,844)	(346,380)
Decrease in non-controlling interests as a result of disposal of subsidiaries	50	–	–	–	–	–	–	–	–	–	(106,247)	(106,247)
Total transactions with owners of the company		124,009	380,388	39,524	156,735	(1,513,652)	(812,996)	–	–	(812,996)	105,784	(707,212)
Balance at 31 December 2012		4,428,676	16,306,805	(92,435)	335,260	8,779,986	29,758,292	5,969,279	2,532,866	38,260,437	3,785,801	42,046,238

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the company										
		Share capital	Share premium	Shares held for Restricted Share Award Scheme	Other reserves	Retained earnings	Total	Convertible securities	Capital securities	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011		4,290,394	15,831,018	(95,986)	(226,865)	5,301,879	25,100,440	5,970,266	–	31,070,706	2,055,098	33,125,804
Profit for the year		–	–	–	–	2,570,657	2,570,657	–	–	2,570,657	50,141	2,620,798
Other comprehensive income:		–	–	–	–	–	–	–	–	–	–	–
Fair value losses on available-for-sale financial assets		–	–	–	(38,183)	–	(38,183)	–	–	(38,183)	–	(38,183)
Reserves realized in consolidated income statement upon disposal of available-for-sale financial assets		–	–	–	(18,279)	–	(18,279)	–	–	(18,279)	–	(18,279)
Currency translation differences		–	–	–	(13,906)	–	(13,906)	–	–	(13,906)	–	(13,906)
Total comprehensive income		–	–	–	(70,368)	2,570,657	2,500,289	–	–	2,500,289	50,141	2,550,430
Transactions with owners of the company												
Dividends relating to 2010		23,102	93,187	–	–	(376,076)	(259,787)	–	–	(259,787)	(99,833)	(359,620)
Dividends relating to 2011	45	–	–	–	–	(232,173)	(232,173)	–	–	(232,173)	–	(232,173)
Expenses on share-based payment	29	–	–	–	47,010	17,738	64,748	–	–	64,748	–	64,748
Transfer from retained earnings	29	–	–	–	153,214	(153,214)	–	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	649	2,212	–	(783)	–	2,078	–	–	2,078	–	2,078
Share buyback	27	(9,478)	–	–	9,478	(40,458)	(40,458)	–	–	(40,458)	–	(40,458)
Issue of capital securities	32	–	–	–	–	–	–	–	2,532,866	2,532,866	–	2,532,866
Adjust for accrued expenses on issuing convertible securities		–	–	–	–	–	–	(987)	–	(987)	–	(987)
Distribution relating to convertible securities		–	–	–	–	(460,996)	(460,996)	–	–	(460,996)	–	(460,996)
Distribution relating to capital securities		–	–	–	–	(129,751)	(129,751)	–	–	(129,751)	–	(129,751)
Purchase of shares for restricted share award scheme	27	–	–	(35,973)	–	–	(35,973)	–	–	(35,973)	–	(35,973)
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	288,697	288,697
Total contributions by and distributions to owners of the company		14,273	95,399	(35,973)	208,919	(1,374,930)	(1,092,312)	(987)	2,532,866	1,439,567	188,864	1,628,431
Increase in non-controlling interests as a result of disposal interests without change of control		–	–	–	466,130	–	466,130	–	–	466,130	1,333,745	1,799,875
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling shareholders		–	–	–	(208,268)	–	(208,268)	–	–	(208,268)	(126,556)	(334,824)
Decrease in non-controlling interests as a result of disposal of a subsidiary		–	–	–	–	–	–	–	–	–	(12,552)	(12,552)
Total transactions with owners of the company		14,273	95,399	(35,973)	466,781	(1,374,930)	(834,450)	(987)	2,532,866	1,697,429	1,383,501	3,080,930
Balance at 31 December 2011		4,304,667	15,926,417	(131,959)	169,548	6,497,606	26,766,279	5,969,279	2,532,866	35,268,424	3,488,740	38,757,164

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	46	**9,270,904**	(3,433,740)
Interest paid		**(2,789,038)**	(1,994,950)
Income tax paid		**(2,063,493)**	(4,072,085)
Net cash generated from/(used in) operating activities		**4,418,373**	(9,500,775)
Cash flows from investing activities			
Purchases of property, plant and equipment	7	**(33,578)**	(74,078)
Proceeds from sale of property, plant and equipment	46	**10,588**	6,571
Purchases of Investment properties	9	**(204,575)**	–
Purchases of available-for-sale financial assets		**(570,786)**	(272,870)
Proceeds from disposal of available-for-sale financial assets		**–**	446,403
Dividends received from available-for-sale financial assets	38	**16,253**	19,362
Proceeds from notes receivables	22(d)	**90,000**	–
Acquisition of additional interests in a subsidiary	49	**(346,380)**	(290,094)
Prepayment for purchasing equity shares of a third party		**–**	(51,790)
Proceeds from disposal of subsidiaries, net of cash disposed	50	**141,716**	347,763
Proceeds from disposal of interests in subsidiaries without change of control		**3,000**	499,875
Capital injection to jointly controlled entities	12	**(119,539)**	(312,887)
Capital return from a jointly controlled entity	12	**49,802**	–
Capital injection to associates	13	**(197,000)**	(220,547)
Investment in an associates	13	**(3,600)**	–
Proceeds of disposal of partial interests in an associate to a subsidiary of a shareholder	51(b)	**141,000**	–
Proceeds from entrusted loans		**292,465**	–
Interest received		**53,953**	123,974
Net cash (used in)/generated from investing activities		**(676,681)**	221,682
Cash flows from financing activities			
Proceeds from borrowings		**19,289,405**	16,733,116
Repayments of borrowings		**(20,304,257)**	(12,345,705)
Repayments to a shareholder		**–**	(1,897,846)
Capital injection from non-controlling interests		**582,763**	288,697
Dividends paid to non-controlling interests		**(28,500)**	(99,833)
Dividends paid to owners of the company		**(276,877)**	(491,960)
Adjust for accrued expenses on issuing convertible securities		**–**	(987)
Proceeds from issuance of capital securities	32	**–**	2,532,866
Distribution relating to convertible securities		**(454,232)**	(469,875)
Distribution relating to capital securities		**(258,368)**	(129,751)
Purchase of shares for restricted share award scheme	27	**–**	(35,973)
Issue of shares pursuant to exercise of employee share options		**26,606**	2,078
Bond arrangement fee		**(217,800)**	–
Share buyback	28	**–**	(40,458)
Net cash (used in)/generated from financing activities		**(1,641,260)**	4,044,369
Net increase/(decrease) in cash and cash equivalents		**2,100,432**	(5,234,724)
Cash and cash equivalents at beginning of the year	26	**8,647,794**	13,977,211
Exchange losses on cash and cash equivalents		**(747)**	(94,693)
Cash and cash equivalents at end of the year	26	**10,747,479**	8,647,794

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

1 General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 12 March 2013.

2 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 5.

3 Summary of significant accounting policies

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

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendment to standard is mandatory for the first time for financial year beginning 1 January 2012.

The HKICPA has amended HKAS 12, "Income taxes", to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

The Group has adopted this amendment retrospectively for the financial year ended 31 December 2012. As investment properties of the Group are with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, the presumption is rebutted and related deferred tax is not remeasured. Accordingly the adoption of this new accounting policy has no impact on the financial statements of the Group in the current and prior years.

3 Summary of significant accounting policies *(Continued)*

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

(b) New and amended standards, and interpretations mandatory for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may effect the accounting for future transactions and events)

HKFRS 1, "First time adoption", on hyperinflation and fixed dates, effective on or after 1 July 2011. The first amendment replaces references to a fixed date of "1 January 2004" with "the date of transition to HKFRSs", thus eliminating the need for companies adopting HKFRSs for the first time to restate derecognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation.

HKFRS 7, "Financial instruments: Disclosures", on transfer of financial assets, effective on or after 1 July 2011. These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

(c) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The Group's assessment of the impact of these new and amended standards is set out below.

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

HKFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group will apply HKFRS 10 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

HKFRS 11, "Joint arrangements", is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. Proportional consolidation of joint ventures is no longer allowed. The Group will apply HKFRS 11 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

3 Summary of significant accounting policies *(Continued)*

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

(c) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted *(Continued)*

HKFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply HKFRS 12 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The Group will apply HKFRS 13 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

HKAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess HKAS 1's full impact and intends to adopt HKAS 1 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

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

3.2 Subsidiaries

3.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Summary of significant accounting policies *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.1 Consolidation *(Continued)*

(a) Business combinations

The Group applies the acquisition method of accounting 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 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. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

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

(c) Disposal of subsidiaries

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

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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

3 Summary of significant accounting policies *(Continued)*

3.3 Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.10).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other long-term interests and unsecured receivables that, in substance, form part of the investment in the jointly controlled entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

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

3.4 Associates

Associates are all entities 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 and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.10).

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

The Group's share of post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against 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 long-term interests and unsecured receivables that, in substance, form part of the investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

3.5 Segment reporting

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

3.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

(c) Group entities

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3 Summary of significant accounting policies *(Continued)*

3.7 Properties

(a) Investment properties

Investment property, principally comprising land held under operating leases and buildings owned by the Group, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is initially accounted for as if it were a finance lease.

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

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

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

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

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

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

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

(b) Land use rights

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

3 Summary of significant accounting policies *(Continued)*

3.7 Properties *(Continued)*

(b) Land use rights *(Continued)*

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

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

3.8 Property, plant and equipment

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

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

Buildings and leasehold improvements	5–50 years
Hotel property	50 years
Machinery	8 years
Vehicles	8 years
Office equipment	5 years
Electronic equipment	3 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 (Note 3.10).

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

3.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisitions of jointly controlled entities or associates is included in investments in jointly controlled entities or associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

3 Summary of significant accounting policies *(Continued)*

3.10 Impairment of non-financial assets

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

3.11 Financial assets

3.11.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

3.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, unless in situation where fair value cannot be reliably measured, in which respective available-for-sale financial assets are subsequently carried at cost. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

3 Summary of significant accounting policies *(Continued)*

3.11 Financial assets *(Continued)*

3.11.2 Recognition and measurement *(Continued)*

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as "gains and losses from investment securities".

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

3.12 Derivative financial instruments

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

3.13 Impairment of financial assets

(a) Assets carried at amortized cost

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

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

3 Summary of significant accounting policies *(Continued)*

3.13 Impairment of financial assets *(Continued)*

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

- 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 losses 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 losses is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment losses 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 losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment losses is recognized in the consolidated income statement.

(b) Assets classified as available-for-sale

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

3.14 Land development cost recoverable

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

3 Summary of significant accounting policies *(Continued)*

3.15 Inventories

(a) Properties under development

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

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

(b) Completed properties held for sale

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

(c) Other inventories

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

3.16 Trade and other receivables

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

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

3.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.18 Share capital

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

3.19 Convertible and Capital securities

Convertible and Capital securities with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity. Respective distributions if and when declared are treated as equity dividends.

3 Summary of significant accounting policies *(Continued)*

3.20 Trade payables

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

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

3.21 Financial liabilities

(a) Borrowings

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

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

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

(b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is initially recognized at fair value and is subsequently premeasured at its fair value at each balance sheet date. Changes in the fair value of the conversion option are recognized in the consolidated income statement.

3.22 Current and deferred income tax

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax 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 it is not accounted for. Deferred income tax is determined using tax rates (tax law) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3 Summary of significant accounting policies *(Continued)*

3.22 Current and deferred income tax *(Continued)*

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

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

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

3.23 Employee benefits

(a) Employee leave entitlements

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

(b) Bonus entitlements

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

(c) Retirement benefits

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

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

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

3 Summary of significant accounting policies *(Continued)*

3.24 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, including "share option scheme" and restricted share award scheme, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the Group.

- **Share options scheme**

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

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

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

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

- **Restricted share award scheme**

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

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

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

3.25 Provisions

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

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

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

3 Summary of significant accounting policies *(Continued)*

3.26 Financial guarantee liabilities

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

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

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

3.27 Contract work

Contract costs are recognized when incurred.

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

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

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

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

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

3 Summary of significant accounting policies *(Continued)*

3.28 Revenue recognition

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

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

(a) Sale of properties

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

(b) Rental income

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

(c) Interest income

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

(d) Dividend income

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

(e) Property management and agency fee income

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

(f) Hotel operating income

Hotel operating income is recognized upon the provision of services.

(g) Revenue from upfitting and construction contracts

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

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

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

3 Summary of significant accounting policies *(Continued)*

3.29 Operating leases

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

(a) The Group is the lessee

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

(b) The Group is the lessor

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

3.30 Dividend distribution

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

4 Financial risk management

4.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2012, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax gain for the year of the Group would have been RMB148,643,000 higher (2011: RMB79,010,000 higher), mainly as the result of foreign exchange gain on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gains on translation of HKD/USD dominated derivative financial instruments and borrowings.

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2012 and 2011, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

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

As at 31 December 2012, if interest rates have been increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalisation, would decrease/increase by approximately RMB6,472,000 (2011: RMB4,121,000).

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows. Comparative information has been restated as permitted by the amendments to HKFRS7 for the liquidity risk discloses.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2012					
Borrowings	**12,027,663**	**8,204,105**	**13,677,412**	**3,385,050**	**37,294,230**
Trade and other payables excluding statutory liabilities	**15,646,338**	**–**	**–**	**–**	**15,646,338**
	27,674,001	**8,204,105**	**13,677,412**	**3,385,050**	**52,940,568**
At 31 December 2011					
Borrowings	16,430,561	7,843,876	10,986,597	2,828,815	38,089,849
Trade and other payables excluding statutory liabilities	9,732,193	–	–	–	9,732,193
	26,162,754	7,843,876	10,986,597	2,828,815	47,822,042
Company					
At 31 December 2012					
Borrowings	**374,069**	**1,112,450**	**2,933,546**	**–**	**4,420,065**
Trade and other payables excluding statutory liabilities	**8,525,479**	**–**	**–**	**–**	**8,525,479**
	8,899,548	**1,112,450**	**2,933,546**	**–**	**12,945,544**
Company					
At 31 December 2011					
Borrowings	3,699,006	–	–	–	3,699,006
Trade and other payables excluding statutory liabilities	8,529,949	–	–	–	8,529,949
	12,228,955	–	–	–	12,228,955

4 Financial risk management *(Continued)*

4.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2012 and 2011 were as follows.

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Total borrowings (Note 33)	**32,393,047**	33,587,466
Less: cash and cash equivalents (Note 26)	**(10,747,479)**	(8,647,794)
Net debt	**21,645,568**	24,939,672
Total equity	**42,046,238**	38,757,164
Total capital	**63,691,806**	63,696,836
Gearing ratio	**34%**	40%

The decrease in the gearing ratio during 2012 resulted primarily from the decrease in total borrowings (Note 33) and increase of cash and cash equivalents (Note 26), and the increase in total equity.

4.3 Fair value estimation

The table below analyses financial instatements carried at fair value, by valuation method, the different levels have been defined as follow:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(b) 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).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 Financial risk management *(Continued)*

4.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Group				
At 31 December 2012				
Other investment (Note 17)	**63,091**	–	–	**63,091**
Financial assets at fair value through profit or loss (Note 18)	**189,076**	–	–	**189,076**
Available-for-sale financial assets: equity securities (Note 16)	**647,184**	–	**346,379**	**993,563**
	899,351	–	**346,379**	**1,245,730**
Liabilities				
Group				
At 31 December 2012				
Derivative financial instruments (Note 37)	–	**19,121**	–	**19,121**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Group				
At 31 December 2011				
Other investment (Note 17)	15,580	–	–	15,580
Financial assets at fair value through profit or loss (Note 18)	412,486	–	–	412,486
Available-for-sale financial assets: equity securities (Note 16)	218,973	–	221,954	440,927
	647,039	–	221,954	868,993

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

4 Financial risk management *(Continued)*

4.3 Fair value estimation *(Continued)*

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

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

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

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

	Available-for-sale financial assets equity securities RMB'000
Opening balance	**221,954**
Additions	**165,292**
Losses recognized in profit or loss due to impairment (Note 39)	**(40,800)**
Losses recognized in equity	**(67)**
Closing balance	**346,379**

The following table presents the changes in level 3 instruments for the year ended 31 December 2011.

	Available-for-sale financial assets equity securities RMB'000
Opening balance	181,663
Additions	76,754
Fair value gains recognized in equity	2,440
Disposals	(38,903)
Closing balance	221,954

5 Critical accounting estimates and judgements

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

5.1 Critical accounting estimates and assumptions

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

(a) Estimate of fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognized in profit or loss. It obtains independent valuations from independent qualified valuers, DTZ Debenham Tie Leung Limited, BMI Appraisals Limited, at least annually. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 9.

(b) Estimate of fair value of employee share options

Up till 31 December 2012, fair value of employee share options issued by the Group is assessed by an independent qualified valuer, DTZ Debenham Tie Leung Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

(c) Income taxes and land appreciation tax ("LAT")

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

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

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

(d) Deferred income tax

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

5 Critical accounting estimates and judgements *(Continued)*

5.2 Critical judgements

(a) Revenue recognition

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

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

(b) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.10. Assets are also reviewed for impairment, whenever events or changes in circumstances are noted, that may potentially causes the carrying amount of the assets to exceed its recoverable amount. The recoverable amount of an asset or a cash generating units is determined as the higher of cash generating unit's fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates. In 2012, based on such reviews the directors have determined that certain of Group's goodwill (Note 10), investments in available-for-sale financial assets (Note 16) and completed property held for sale (Note 23) were impaired, and relevant provision had been made. Refer to the financial statements for details of such provisions.

(c) Estimations for total properties construction cost

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

6 Segment information

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

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

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

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

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

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

Revenue consists of sales from the property development segment, which mainly represent property sales income, and rental income as derived from the investment property segment, which are RMB26,052,706,000 and RMB413,858,000 for the year ended 31 December 2012 and RMB17,618,075,000 and RMB340,062,000 for the year ended 31 December 2011 respectively.

6 Segment information *(Continued)*

The segment information provided to the Committee for the reportable segments for the year ended 31 December 2012 and 2011 is as follows:

	Property development				Investment	All other		Inter-company	
	Beijing	Tianjin	North-east	Others	property	segments	Total	elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012									
Total revenue	**10,133,593**	**4,133,092**	**8,802,205**	**3,025,984**	**419,143**	**5,089,881**	**31,603,898**	**–**	**31,603,898**
Inter-segment revenue	**(42,168)**	**–**	**–**	**–**	**(5,285)**	**(2,898,649)**	**(2,946,102)**	**–**	**(2,946,102)**
Revenue (from external customers)	**10,091,425**	**4,133,092**	**8,802,205**	**3,025,984**	**413,858**	**2,191,232**	**28,657,796**	**–**	**28,657,796**
Segment operating profit	**3,664,131**	**365,512**	**2,021,020**	**565,279**	**369,921**	**775,696**	**7,761,559**	**(1,283,895)**	**6,477,664**
Depreciation and amortization (Note 40)	**(532)**	**(1,643)**	**(5,282)**	**(9,706)**	**(374)**	**(29,526)**	**(47,063)**	**–**	**(47,063)**
Goodwill disposed for sales of properties (Note 10)	**–**	**(13,877)**	**–**	**(33,693)**	**–**	**–**	**(47,570)**	**–**	**(47,570)**
Goodwill impairment (Note 10)	**–**	**–**	**–**	**–**	**–**	**(125,527)**	**(125,527)**	**–**	**(125,527)**
Income tax expense (Note 43)	**(1,434,151)**	**(103,154)**	**(825,875)**	**(271,598)**	**(418,247)**	**(194,582)**	**(3,247,607)**	**–**	**(3,247,607)**
Finance income	**116,750**	**48,322**	**218,107**	**86,368**	**49,934**	**446,316**	**965,797**	**(937,835)**	**27,962**
Year ended 31 December 2011									
Total revenue	7,823,397	2,253,284	4,962,671	2,708,583	344,101	4,569,410	22,661,446	–	22,661,446
Inter-segment revenue	(129,860)	–	–	–	(4,039)	(2,630,601)	(2,764,500)	–	(2,764,500)
Revenue (from external customers)	7,693,537	2,253,284	4,962,671	2,708,583	340,062	1,938,809	19,896,946	–	19,896,946
Segment operating profit	3,189,170	440,591	1,520,132	947,392	272,670	350,321	6,720,276	(1,382,063)	5,338,213
Depreciation and amortization (Note 40)	(918)	(1,683)	(7,039)	(8,224)	(814)	(30,290)	(48,968)	–	(48,968)
Goodwill disposed for sales of properties (Note 10)	–	(7,140)	–	(68,049)	–	–	(75,189)	–	(75,189)
Income tax expense (Note 43)	(1,310,489)	(189,201)	(512,114)	(304,818)	(48,558)	(188,368)	(2,553,548)	–	(2,553,548)
Finance income	123,930	92,295	279,452	107,248	30,895	537,394	1,171,214	(1,059,758)	111,456
As at 31 December 2012									
Total segment assets	**40,321,137**	**10,669,910**	**37,786,905**	**48,997,695**	**6,512,683**	**51,598,382**	**195,886,712**	**(78,636,050)**	**117,250,662**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**4,065**	**131**	**2,897**	**6,173**	**297**	**236,779**	**250,342**	**–**	**250,342**
Total segment liabilities	**28,030,098**	**5,265,874**	**19,170,221**	**32,218,350**	**1,016,849**	**43,561,931**	**129,263,323**	**(77,304,942)**	**51,958,381**
As at 31 December 2011									
Total segment assets	36,627,577	11,357,343	35,575,631	34,987,901	6,187,329	28,146,919	152,882,700	(51,185,920)	101,696,780
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,422	2,594	3,903	11,344	564	54,251	74,078	–	74,078
Total segment liabilities	14,852,035	4,515,462	11,476,473	16,217,060	1,037,273	22,586,169	70,684,472	(34,325,534)	36,358,938

6 Segment information *(Continued)*

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

	Year ended 31 December 2012 RMB'000	2011 RMB'000
Segment operating profit	**6,477,664**	5,338,213
Corporate finance income	**82,346**	49,252
Corporate overheads	**(594,418)**	(372,801)
Fair value gain on investment properties (Note 9)	**1,535,304**	512,778
Share of gains of jointly controlled entities	**362,060**	68,911
Share of losses of associates	**(2,677)**	(2,571)
Finance costs (Note 42)	**(625,363)**	(419,436)
Profit before income tax	**7,234,916**	5,174,346

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

	As at 31 December 2012 RMB'000	2011 RMB'000
Total segment assets	**117,250,662**	101,696,780
Corporate cash and cash equivalents	**5,271,624**	4,558,691
Investment in jointly controlled entities (Note 12)	**1,477,657**	1,052,135
Investment in associates (Note13)	**665,011**	606,013
Available-for-sale financial assets (Note 16)	**993,563**	440,927
Other investment (Note 17)	**63,091**	15,580
Financial assets at fair value through profit or loss (Note 18)	**189,076**	412,486
Deferred income tax assets (Note 34)	**2,393,892**	1,502,833
Total assets per consolidated balance sheet	**128,304,576**	110,285,445
Total segment liabilities	**51,958,381**	36,358,938
Current borrowings (Note 33)	**11,519,608**	14,481,805
Non-current borrowings (Note 33)	**20,873,439**	19,105,661
Deferred income tax liabilities (Note 34)	**1,698,080**	1,386,739
Distribution payable (Note 35)	**189,709**	195,138
Derivative financial instrument (Note 37)	**19,121**	–
Total liabilities per consolidated balance sheet	**86,258,338**	71,528,281

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2012 and 2011.

6 Segment information *(Continued)*

As at 31 December 2012, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB9,701,332,000 (2011: RMB7,859,984,000), the total of these non-current assets located in Hong Kong is RMB322,924,000 (2011: RMB241,471,000).

For the year ended 31 December 2012 and 2011, the Group does not have any single customer with the transaction value over 10% of the external sales.

7 Property, plant and equipment

	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Total RMB'000
Year ended 31 December 2012						
Opening net book amount	**121,941**	**5,522**	**48,859**	**27,552**	**21,598**	**225,472**
Additions	**7,552**	**3,198**	**7,593**	**3,813**	**11,422**	**33,578**
Transfer from completed property held for sale	**12,189**	**–**	**–**	**–**	**–**	**12,189**
Disposals	**–**	**(1,531)**	**(5,367)**	**(3,434)**	**(948)**	**(11,280)**
Depreciation charge (Note 40)	**(17,922)**	**(1,361)**	**(8,604)**	**(7,087)**	**(11,843)**	**(46,817)**
Disposals of subsidiaries (Note 50)	**–**	**–**	**(17)**	**(54)**	**(254)**	**(325)**
Closing net book amount	**123,760**	**5,828**	**42,464**	**20,790**	**19,975**	**212,817**
At 31 December 2012						
Cost	**168,757**	**10,096**	**88,606**	**55,730**	**56,757**	**379,946**
Accumulated depreciation	**(44,997)**	**(4,268)**	**(46,142)**	**(34,940)**	**(36,782)**	**(167,129)**
Net book amount	**123,760**	**5,828**	**42,464**	**20,790**	**19,975**	**212,817**
Year ended 31 December 2011						
Opening net book amount	116,772	6,865	56,528	19,769	14,961	214,895
Additions	30,118	1,333	11,271	14,303	17,053	74,078
Disposals	–	(170)	(5,280)	(855)	(670)	(6,975)
Depreciation charge (Note 40)	(19,119)	(2,086)	(12,438)	(5,410)	(9,669)	(48,722)
Disposals of subsidiaries	(5,830)	(420)	(1,222)	(255)	(77)	(7,804)
Closing net book amount	121,941	5,522	48,859	27,552	21,598	225,472
At 31 December 2011						
Cost	149,016	9,575	88,026	56,886	49,877	353,380
Accumulated depreciation	(27,075)	(4,053)	(39,167)	(29,334)	(28,279)	(127,908)
Net book amount	121,941	5,522	48,859	27,552	21,598	225,472

7 Property, plant and equipment *(Continued)*

Depreciation expense of RMB35,555,000 (2011: RMB36,196,000) has been charged in "cost of sales", RMB11,262,000 (2011: RMB12,526,000) in "administrative expenses".

As at 31 December 2012 and 2011, buildings with the carrying values of RMB70,186,000 and RMB71,256,000 respectively were pledged as collateral for the Group's borrowings (Note 33).

8 Land use rights

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**9,477**	9,723
Amortisation charge (Note 40)	**(246)**	(246)
At end of the year	**9,231**	9,477

As at 31 December 2012 and 2011, land use rights of the Group with carrying values of RMB6,042,000 and RMB6,186,000 respectively were pledged as collateral for the Group's borrowings (Note 33).

9 Investment properties

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At fair value		
At beginning of the year	**5,462,375**	4,988,572
Addition	**204,575**	–
Disposal of subsidiaries	**–**	(150,000)
Transfer from completed properties held for sale	**–**	111,025
Fair value gains	**1,535,304**	512,778
At end of the year	**7,202,254**	5,462,375

9 Investment properties *(Continued)*

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Rental income (Note 6)	**413,858**	340,062
Direct operating expenses arising from investment properties that generate rental income	**42,833**	73,181
Direct operating expenses that did not generate rental income	**5,147**	10,901

(b) Valuation basis

The fair value of the Group's investment properties as at 31 December 2012 and 2011 was valued by DTZ Debenham Tie Leung Limited and BMI Appraisals Limited, independent and professionally qualified valuers, respectively. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

(c) Non-current assets pledged as security

As at 31 December 2012 and 2011, investment properties of the Group with carrying values of RMB4,705,590,000 and RMB4,396,840,000 respectively were pledged as collateral for the Group's borrowings (Note 33).

(d) Leasing arrangements

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**419,615**	350,533
Between 1 to 5 years	**699,748**	570,641
After 5 years	**46,706**	54,724
	1,166,069	975,898

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

	2012	2011
	RMB'000	RMB'000
In PRC, held on:		
Leases of less than 50 years	**6,997,679**	5,462,375

10 Goodwill

	RMB'000
Year ended 31 December 2012	
Opening net book amount	**630,383**
Goodwill disposed of for sales of properties, charged to cost of sales	**(47,570)**
Impairment charge (i)	**(125,527)**
Closing net book amount	**457,286**
At 31 December 2012	
Cost	**883,668**
Goodwill disposed of for sales of properties, charged to cost of sales	**(300,855)**
Impairment charge	**(125,527)**
Net book amount	**457,286**
Year ended 31 December 2011	
Opening net book amount	705,572
Goodwill disposed for sales of properties, charged to cost of sales	(75,189)
Closing net book amount	630,383
At 31 December 2011	
Cost	883,668
Goodwill disposed for sales of properties, charged to cost of sales	(253,285)
Net book amount	630,383

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Property development	**454,951**	502,521
Investment property	**–**	125,527
Others	**2,335**	2,335
	457,286	630,383

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

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

11 Investments in subsidiaries — Company

	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
Unlisted investments, at cost	**3,407,371**	3,407,371
Contribution to the Restricted Share Award Scheme Trust	**88,063**	110,321
	3,495,434	3,517,692
Amounts due from subsidiaries	**30,950,509**	29,794,598
Amounts due to subsidiaries	**(8,502,143)**	(8,502,145)
	25,943,800	24,810,145

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

The directors are of the opinion that the following is a list of the subsidiaries as at 31 December 2012 which materially affect the results or assets of the Group:

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(1)	Sino-Ocean Land Limited 遠洋地產有限公司	PRC	Limited liability company	RMB6,368,240	100%	Property development
(2)	遠洋國際建設有限公司	PRC	Limited liability company	RMB600,000	100%	Renovation service
(3)	Beijing Zhong Lian Land Development Company, Limited 北京中聯置地房地產開發有限公司	PRC	Limited liability company	RMB560,000	100%	Property development
(4)	Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	PRC	Limited liability company	RMB500,000	100%	Property development
(5)	北京萬洋世紀創業投資管理有限公司	PRC	Limited liability company	RMB341,000	100%	Consultant service
(6)	北京碧城創業投資管理有限公司	PRC	Limited liability company	RMB336,000	100%	Consultant service
(7)	Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	PRC	Limited liability company	RMB300,000	100%	Investment holdings
(8)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	PRC	Limited liability company	USD30,000	72%	Investment property

11 Investments in subsidiaries — Company *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(9)	Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司	PRC	Limited liability company	RMB219,000	100%	Property development
(10)	北京遠洋園林工程有限公司	PRC	Limited liability company	RMB200,000	100%	Renovation service
(11)	Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	PRC	Limited liability company	RMB100,000	75%	Land development
(12)	Beijing Yuan Sheng Land Development Company, Limited 北京遠盛置業有限公司	PRC	Limited liability company	RMB100,000	100%	Property development
(13)	Beijing Sino-Ocean Grand Architectural Decoration Engineering Co. Ltd. 遠洋裝飾工程有限公司	PRC	Limited liability company	RMB100,000	80%	Renovation services
(14)	Beijing De Jun Land Development Company Limited 北京德俊置業有限公司	PRC	Limited liability company	RMB90,000	100%	Property development
(15)	Beijing Dong Rong Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	PRC	Limited liability company	USD12,370	85.72%	Property development
(16)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	PRC	Limited liability company	RMB75,000	100%	Land development
(17)	Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC	Limited liability company	RMB60,000	100%	Property development
(18)	Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	PRC	Limited liability company	RMB30,000	100%	Property development
(19)	Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	PRC	Limited liability company	RMB30,000	100%	Property development
(20)	北京遠東新地置業有限公司	PRC	Limited liability company	RMB30,000	100%	Property development

11 Investments in subsidiaries — Company *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(21)	Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	PRC	Limited liability company	RMB10,000	100%	Investment holdings
(22)	Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC	Limited liability company	RMB10,000	100%	Property development
(23)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	PRC	Limited liability company	RMB600,000	97.05%	Property development
(24)	Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產開發有限公司	PRC	Limited liability company	RMB420,000	100%	Property development
(25)	Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司	PRC	Limited liability company	RMB400,000	96.99%	Property development
(26)	Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產(天津)有限公司	PRC	Limited liability company	RMB170,000	94.1%	Investment holding
(27)	天津宇華房地產開發有限公司	PRC	Limited liability company	RMB100,000	100%	Property development
(28)	Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏房地產開發有限公司	PRC	Limited liability company	RMB30,000	100%	Property development
(29)	大連新悦置業有限公司	PRC	Limited liability company	USD241,000	90%	Property development
(30)	大連滙洋置業有限公司	PRC	Limited liability company	USD166,122	51%	Property development
(31)	大連廣宇置業有限公司	PRC	Limited liability company	USD213,200	90%	Property development
(32)	大連聖基置業有限公司	PRC	Limited liability company	USD114,545	90%	Property development
(33)	大連宏澤置業有限公司	PRC	Wholly foreign owned enterprise	USD105,000	100%	Property development

11 Investments in subsidiaries — Company *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(34)	大連世甲置業有限公司	PRC	Limited liability company	USD97,850	100%	Property development
(35)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC	Limited liability company	USD80,000	100%	Property development
(36)	大連永圖置業有限公司	PRC	Wholly foreign owned enterprise	USD79,500	90%	Property development
(37)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC	Sino-foreign equity joint venture	USD76,860	100%	Property development
(38)	大連鑫融置業有限公司	PRC	Wholly foreign owned enterprise	USD90,000	100%	Property development
(39)	大連至遠置業有限公司	PRC	Wholly foreign owned enterprise	USD69,754	90%	Property development
(40)	大連潤峰置業有限公司	PRC	Wholly foreign owned enterprise	USD64,560	90%	Property development
(41)	大連源豐置業有限公司	PRC	Sino-foreign equity joint venture	USD50,700	100%	Property development
(42)	大連遠佳產業園開發有限公司	PRC	Wholly foreign owned enterprise	USD35,000	100%	Property development
(43)	Dalian Kaimeng Real Estate Co., Ltd. 大連凱盟房地產開發有限公司	PRC	Limited liability company	RMB150,000	100%	Property development
(44)	大連通遠房地產開發有限公司	PRC	Limited liability company	RMB8,000	100%	Land development
(45)	Wanxiang Zhiye (Shenyang) Co., Ltd. 萬祥置業(瀋陽)有限公司	PRC	Limited liability company	RMB582,830	100%	Property development
(46)	Liaoning Wanxiang Property Co., Ltd. 遼寧萬祥置業有限公司	PRC	Limited liability company	RMB459,240	100%	Property development
(47)	瀋陽萬洋投資管理諮詢有限公司	PRC	Limited liability company	HKD367,500	100%	Consultant service
(48)	瀋陽碧城投資管理諮詢有限公司	PRC	Limited liability company	USD47,000	100%	Consultant service

11 Investments in subsidiaries — Company *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(49)	遠洋地產(遼寧)有限公司	PRC	Limited liability company	RMB20,000	92.5%	Property development
(50)	撫順德創置業有限公司	PRC	Limited liability company	RMB387,953	65%	Property development
(51)	長春東方聯合置業有限公司	PRC	Limited liability company	RMB200,000	51%	Property development
(52)	青島遠佳置業有限公司	PRC	Limited liability company	RMB666,670	100%	Property development
(53)	青島遠景置業有限公司	PRC	Limited liability company	RMB369,650	100%	Property development
(54)	青島遠豪置業有限公司	PRC	Limited liability company	RMB428,239	100%	Property development
(55)	Qinhuangdao Ocean Land Development Company, Limited 秦皇島海洋置業房地產開發有限公司	PRC	Limited liability company	RMB100,000	100%	Property development
(56)	杭州遠洋天祺置業有限公司	PRC	Sino-foreign equity joint venture	USD147,760	51%	Property development
(57)	杭州遠洋運河商務區開發有限公司	PRC	Sino-foreign equity joint venture	USD143,210	51%	Property development
(58)	Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司	PRC	Limited liability company	RMB500,000	70%	Property development
(59)	杭州遠洋新河酒店置業有限公司	PRC	Sino-foreign equity joint venture	USD83,620	51%	Property development
(60)	杭州德遠瑞祥置業有限公司	PRC	Limited liability company	RMB723,000	100%	Property development
(61)	遠洋地產(上海)有限公司	PRC	Limited liability company	RMB20,000	100%	Property development
(62)	上海遠望置業有限公司	PRC	Limited liability company	RMB20,000	100%	Property development
(63)	上海遠正置業有限公司	PRC	Limited liability company	RMB20,000	100%	Property development

11 Investments in subsidiaries — Company *(Continued)*

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(64) 上海遠鑫置業有限公司	PRC	Limited liability company	RMB20,000	100%	Property development
(65) 遠洋地產(鎮江)有限公司	PRC	Limited liability company	RMB50,000	55%	Property development
(66) 黃山東方紅影視產業投資有限公司	PRC	Limited liability company	RMB244,767	100%	Property development
(67) 遠洋地產(中山)開發有限公司	PRC	Sino-foreign equity joint venture	RMB720,000	100%	Property development
(68) 中山市遠見房地產開發有限公司	PRC	Limited liability company	RMB30,000	40%	Property development
(69) 天基房地產開發(深圳)有限公司	PRC	Limited liability company	HKD160,000	84.7%	Land development
(70) 三亞南國奧林匹克花園有限公司	PRC	Limited liability company	RMB64,100	70%	Property development
(71) 三亞棠棣莊園投資有限公司	PRC	Limited liability company	RMB64,000	52.5%	Property development
(72) 海南浙江椰香村建設開發有限公司	PRC	Limited liability company	RMB15,000	70%	Property development
(73) 武漢弘福置業有限公司	PRC	Limited liability company	RMB45,000	55%	Property development
(74) 重慶遠騰房地產開發有限公司	PRC	Sino-foreign equity joint venture	RMB1,100,000	87.25%	Property development
(75) 重慶國際高爾夫俱樂部有限公司	PRC	Limited liability company	RMB96,290	85%	Land development
(76) Gemini Investments (Holdings) Limited 盛洋投資(控股)有限公司	Hong Kong	HK Listed company	HKD22,275	70.15%	Investment holding
(77) Sino-Ocean Land Capital Inv Ltd 遠洋地產資本投資有限公司	BVI	Limited company	USD50	100%	Investment holding
(78) Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited company	USD10	100%	Investment holding
(79) Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong	Limited company	HKD10	100%	Investment holding

11 Investments in subsidiaries — Company *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(80)	Mission Success Limited 穎博有限公司	Hong Kong	Limited company	HKD –	100%	Investment holding
(81)	Dynamic Class Limited 昇能有限公司	Hong Kong	Limited company	HKD –	100%	Investment holding
(82)	Mega Precise Profits Limited	BVI	Limited company	USD –	100%	Investment holding
(83)	Smart State Properties Limited	BVI	Limited company	USD –	100%	Investment holding
(84)	Faith Ocean Int'l Ltd 信洋國際有限公司	BVI	Limited company	USD –	100%	Investment holding
(85)	Sino-Ocean Land (Perpetual Finance) Ltd 遠洋地產(恒財)有限公司	BVI	Limited company	USD –	100%	Investment holding
(86)	Fame Gain Holdings Limited 名得控股有限公司	BVI	Limited company	USD –	100%	Investment holding

12 Interests in jointly controlled entities

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**1,052,135**	687,826
Capital injection (c)	**119,539**	312,887
Capital return from Sino Prosperity Real Estate Fund L.P.	**(49,802)**	–
Share of results of jointly controlled entities	**355,785**	51,422
At end of the year	**1,477,657**	1,052,135

12 Interests in jointly controlled entities *(Continued)*

(a) Following are the details of the jointly controlled entities of the Group as at 31 December 2012 and 2011, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	2011	Principal activities
Beijing Linlian Property Company Limited 北京麟聯置業有限公司	PRC	Limited liability company	RMB400,000	**50%**	50%	Land and property development
Chengdu Qiansong construction development Company Limited 成都乾松城市建設開發有限公司	PRC	Limited liability company	RMB50,000	**50%**	50%	Land and property development
Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司	PRC	Limited liability company	RMB635,267	**50%**	50%	Land and property development
Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司	PRC	Limited liability company	RMB8,000	**50%**	50%	Land and property development
Sino Prosperity Real Estate Fund L.P. (a(i)) (c(i))	Cayman island	Exempted limited partnership	USD66,000	**38%**	50%	Investment management
Sino Prosperity Real Estate (GP), L.P. (c(i))	Cayman island	Exempted limited partnership	USD706	**50%**	50%	Investment management
Sino Prosperity Real Estate Limited (c(i))	Cayman island	Exempted limited liability company	USD806	**50%**	50%	Investment management
Sino Prosperity Real Estate Advisor Limited (c(i))	Cayman island	Exempted limited liability company	USD100	**50%**	50%	Investment management
Tianjin Yuanjinluzhou Investment Fund Management Company Limited (c(ii)) 天津遠津綠洲股權投資基金管理有限公司	PRC	Limited liability company	RMB10,000	**50%**	50%	Investment management
Beijing Yuanbotengda Business Management Company Limited ("Beijing Yuanbotengda") (a(ii)) 北京遠博騰達商業管理有限公司	PRC	Limited liability company	RMB1,000	**51%**	–	Business management

(i) Although the Group holds less than 50% of the interests of Sino Prosperity Real Estate Fund L.P., the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of that fund.

(ii) Although the Group holds more than 50% of the equity shares of Beijing Yuanbotengda, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of that company.

12 Interests in jointly controlled entities *(Continued)*

(b) The Group's share of the assets and liabilities, revenues and results of the jointly controlled entities are set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Results RMB'000	% interest held
2012					
Beijing Linlian Property Company Limited	**2,649,069**	**1,566,682**	**101,955**	**243,998**	**50%**
Chengdu Qiansong construction development Company Limited	**121,564**	**102,250**	**–**	**(1,034)**	**50%**
Chengdu Qianhao Real Estate Company Limited	**1,622,904**	**469,734**	**115**	**98,150**	**50%**
Chengdu Yingang Real Estate Company Limited	**146,077**	**28,091**	**–**	**17,421**	**50%**
Sino Prosperity Real Estate Fund L.P.	**265,654**	**1,359**	**–**	**(72)**	**38%**
Sino Prosperity Real Estate (GP), L.P.	**1,495**	**2,501**	**–**	**(16)**	**50%**
Sino Prosperity Real Estate Limited	**1,707**	**2,518**	**–**	**(107)**	**50%**
Sino Prosperity Real Estate Advisor Limited	**2,966**	**1,448**	**–**	**1,683**	**50%**
Tianjin Yuanjinluzhou Investment Fund Management Company Limited	**6,096**	**2,761**	**8,692**	**2,061**	**50%**
Beijing Yuanbotengda Business Management Company Limited	**574**	**89**	**457**	**(24)**	**51%**
	4,818,106	**2,177,443**	**111,219**	**362,060**	
2011					
Beijing Linlian Property Company Limited	2,131,405	1,316,373	1,535	94,532	50%
Chengdu Qiansong construction development Company Limited	45,670	25,242	–	(4,583)	50%
Chengdu Qianhao Real Estate Company Limited	1,014,325	710,564	–	(13,872)	50%
Chengdu Yingang Real Estate Company Limited	97,262	5,692	–	(200)	50%
Sino Prosperity Real Estate Fund L.P.	257,368	54,034	–	(4,100)	50%
Sino Prosperity Real Estate (GP), L.P.	2,936	713	–	(1)	50%
Sino Prosperity Real Estate Limited	315	15	–	(12)	50%
Sino Prosperity Real Estate Advisor Limited	1,304	115	915	875	50%
Tianjin Yuanjinluzhou Investment Fund Management Company Limited	3,114	1,841	–	(3,728)	50%
	3,553,699	2,114,589	2,450	68,911	

As at 31 December 2012, the Group's share of capital commitments of these jointly controlled entities amounted to RMB185,592,000 (2011: RMB239,434,000) from these interests in jointly controlled entities. There were no contingent liabilities shared from these interests in jointly controlled entities as at 31 December 2012 (2011: nil).

12 Interests in jointly controlled entities *(Continued)*

(c) Capital injection

During the year, the Group contributed capital injections to the following jointly controlled entities:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Beijing Linlian Property Company Limited	**104,500**	–
Beijing Yuanbotengda Business Management Company Limited	**510**	–
Chengdu Qianhao Real Estate Company Limited	**14,529**	6,366
Chengdu Yingang Real Estate Company Limited	**–**	91,770
The KKR fund (i)	**–**	209,751
Tianjin Yuanjinluzhou Investment Fund Management Company Limited (ii)	**–**	5,000
	119,539	312,887

(i) On 5 September 2011, Chance Bright Limited, a subsidiary of the Group, entered into a framework cooperation agreement (the "agreement") with KKR SPRE Holdings L.P. ("KKR"), a third party, based on which a series of limited companies and limited partnerships were established, and jointly controlled by both parties, to collectively act as the general partner of Sino Prosperity Real Estate Fund L.P. (the "KKR fund"). Pursuant to the agreement, targeted capital of the KKR fund is amounted to USD200,000,000.

As at 31 December 2011, approximately USD64,000,000 (equivalent to RMB403,000,000) was injected into the KKR fund. The entire proceeds were then injected into Great Wise Limited, a subsidiary of the Group, and as a result, the KKR fund became a 49% non-controlling interest of Great Wise Limited (Note 33(b)(iii)).

(ii) On 1 August 2011, Beijing Yuankun Real Estate Limited, a subsidiary of the Group, entered into an investment cooperation agreement (the "agreement") with Guoneng Greenland Investment Management Limited, a third party, based on which Tianjin Yuanjinluzhou Investment Fund Management Company Limited was established, and jointly controlled by both parties, to act as the general partner of Yuanjin Fengde and Yuanjin Ruide (the "Yuanjin funds").

As at 31 December 2011, approximately RMB230,000,000 was injected into the Yuanjin funds. Such proceeds were then injected into Zhongshan Yuanjian Real Estate Company Limited ("Zhongshan Yuanjian"), a subsidiary of the Group, and as a result, Yuanjin funds became a 50% non-controlling interests of Zhongshan Yuanjian (Note 33(b)(iii)).

13 Interests in associates

	Year ended 31 December 2012 RMB'000	2011 RMB'000
At beginning of the year	**606,013**	397,458
Capital injection	**197,000**	220,547
Addition	**3,600**	–
Disposal of partial interests in an associate to a subsidiary of a shareholder (Note 51(b))	**(120,667)**	–
Share of results of associates	**(20,935)**	(11,992)
At end of the year	**665,011**	606,013

(a) Following are the details of the associates of the Group at 31 December 2012 and 2011, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	2011	Principal activities
Beijing Central Business District Development and Construction Company Limited 北京商務中心區開發建設有限責任公司	PRC	Limited liability company	RMB680,850	**47%**	47%	Land development
Beijing Shengyong Property Development and investment Company Limited 北京盛永置業投資有限公司	PRC	Limited liability company	RMB500,000	**35%**	35%	Property development and investment services
Beijing Kunlian Xinhe Business Management Company Limited 北京坤聯信和商業管理有限責任公司	PRC	Limited liability company	RMB5,000	**40%**	40%	Consulting management
Guoshou Yuantong Real Estate Company Limited ("Guoshou Yuantong") (i) 國壽遠通置業有限公司	PRC	Limited liability company	RMB600,000	**10%**	29%	Property development and investment services
CIGIS (China) Limited 建設綜合勘察研究設計院有限公司	PRC	Limited liability company	RMB50,000	**35%**	35%	Survey and design
Shenzhen Lean Property Development Company Limited 深圳市樂安房地產有限公司	PRC	Limited liability company	RMB10,000	**30%**	–	Property development

(i) Although the Group holds less than 20% of the equity shares of Guoshou Yuantong, the Group exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of that company.

13 Interests in associates *(Continued)*

(b) The Group's share of the assets and liabilities, revenues and results of the associates is set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Losses RMB'000	% interest held
2012					
Beijing Central Business District Development and Construction Company Limited	**791,690**	**480,475**	**–**	**(2,246)**	**47%**
Beijing Shengyong Property Development and investment Company Limited	**383,555**	**226,105**	**206**	**(2,775)**	**35%**
Beijing Kunlian Xinhe Business Management Company Limited	**1,998**	**–**	**–**	**–**	**40%**
Guoshou Yuantong Real Estate Company Limited	**285,292**	**35,519**	**–**	**(249)**	**10%**
CIGIS (China) Limited	**104,493**	**46,487**	**144,157**	**2,593**	**35%**
Shenzhen Lean Property Development Company Limited	**27,607**	**24,753**	**–**	**–**	**30%**
	1,594,635	**813,339**	**144,363**	**(2,677)**	
2011					
Beijing Central Business District Development and Construction Company Limited	745,566	432,105	–	(2,501)	47%
Beijing Shengyong Property Development and investment Company Limited	247,129	86,903	–	(1,955)	35%
Beijing Kunlian Xinhe Business Management Company Limited	1,990	–	–	–	40%
Guoshou Yuantong Real Estate Company Limited	429,381	255,320	–	62	29%
CIGIS (China) Limited	92,354	63,573	132,861	1,823	35%
	1,516,420	837,901	132,861	(2,571)	

There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

14 Financial instruments by category

(a) Group

	Loans and receivables RMB'000	Assets at fair value through profit and loss RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets				
As at 31 December 2012				
Available-for-sale financial assets (Note 16)	**–**	**–**	**993,563**	**993,563**
Financial assets at fair value through profit or loss (Note 18)	**–**	**189,076**	**–**	**189,076**
Trade and other receivables excluding prepayments	**5,737,366**	**–**	**–**	**5,737,366**
Restricted bank deposits (Note 25)	**5,399,197**	**–**	**–**	**5,399,197**
Cash and cash equivalents (Note 26)	**10,747,479**	**–**	**–**	**10,747,479**
	21,884,042	**189,076**	**993,563**	**23,066,681**
As at 31 December 2011				
Available-for-sale financial assets (Note 16)	–	–	440,927	440,927
Financial assets at fair value through profit or loss (Note 18)	–	412,486	–	412,486
Trade and other receivables excluding prepayments	3,327,716	–	–	3,327,716
Restricted bank deposits (Note 25)	3,768,822	–	–	3,768,822
Cash and cash equivalents (Note 26)	8,647,794	–	–	8,647,794
	15,744,332	412,486	440,927	16,597,745

14 Financial instruments by category *(Continued)*

(a) Group *(Continued)*

	Other financial liabilities RMB'000
Liabilities	
As at 31 December 2012	
Borrowings (Note 33)	**32,393,047**
Trade and other payables excluding tax payable	**15,646,338**
Derivative financial instrument (Note 37)	**19,121**
	48,058,506
As at 31 December 2011	
Borrowings (Note 33)	33,587,466
Trade and other payables excluding tax payable	9,732,193
Derivative financial instrument (Note 37)	–
	43,319,659

(b) Company

	Loans and receivables RMB'000
Assets	
As at 31 December 2012	
Amounts due from subsidiaries (Note 11)	**30,950,509**
Other receivables excluding prepayments	**2,060**
Cash and cash equivalents (Note 26)	**433,817**
	31,386,386
As at 31 December 2011	
Amounts due from subsidiaries (Note 11)	29,794,598
Other receivables excluding prepayments	2,060
Cash and cash equivalents (Note 26)	386,071
	30,182,729

14 Financial instruments by category *(Continued)*

(b) Company *(Continued)*

	Other financial liabilities RMB'000
Liabilities	
As at 31 December 2012	
Borrowings (Note 33)	**3,938,099**
Amount due to subsidiaries (Note 11)	**8,502,143**
Other payables excluding tax payable	**23,336**
	12,463,578
As at 31 December 2011	
Borrowings (Note 33)	3,558,678
Amount due to subsidiaries (Note 11)	8,502,145
Other payables excluding tax payable	27,804
	12,088,627

15 Credit quality of financial assets

(a) Group

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

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Trade receivables		
Counterparties without external credit rating	**1,062,557**	927,378
Trade receivables that are neither past due nor impaired	**85,761**	359,670

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

None of the financial assets that are fully performing has been renegotiated in 2012 and 2011.

(b) Company

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

16 Available-for-sale financial assets

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Investment in listed securities held in the SOL Fund (a)	**647,184**	218,973
Investment in other unlisted equity securities (b)	**346,379**	221,954
	993,563	440,927
Less: non-current portion	**(838,163)**	(244,727)
Current portion	**155,400**	196,200

(a) On 31 March 2008, SOL Investment Fund Limited ("SOL"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, with the purpose to carry out investment activities for the Group. The sole underlying investment in SOL is SOL Fund, representing a portfolio of investments in listed shares, and its fair value as at 31 December 2012 was based on the respective quoted closing prices.

(b) Available-for-sale financial assets of the Group include certain unlisted equity securities, mainly denominated in RMB. The fair value of unlisted securities approximates net asset values of respective securities.

Available-for-sale financial assets include the following:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Fair value:		
— listed	**647,184**	218,973
— unlisted	**346,379**	221,954
	993,563	440,927
Market value of listed securities	**647,184**	218,973

16 Available-for-sale financial assets *(Continued)*

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
— HKD	**647,184**	218,973
— RMB	**337,550**	216,901
— USD	**8,829**	5,053
	993,563	440,927

Impairment losses amounting to RMB40,800,000 were recognized in profit or loss as at 31 December 2012 with respect to an unlisted equity security (2011: nil) (Note 39).

17 Other investment

Other investment represents gold bullions stated at fair values less costs to sell. The fair values are determined by reference to the quoted market price. Losses arising on measurement amounting to RMB1,623,000 (2011: RMB118,000) were recognized in profit or loss (Note 39).

18 Financial assets at fair value through profit or loss — Group

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Listed securities — held-for-trading		
Equity securities listed in Hong Kong	**158,266**	43,975
Equity securities listed elsewhere	**30,810**	368,511
Market value of listed securities	**189,076**	412,486

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

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

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

19 Properties under development

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**65,470,147**	41,393,331
Additions	**24,386,933**	24,351,562
Transfer from land development cost recoverable	**–**	87,702
Transfer from deposits for land use rights	**5,729,244**	11,564,701
Disposal of subsidiaries (Note 50(b))	**(499,532)**	–
Disposals	**–**	(769,230)
Provision for impairment	**–**	(170,354)
Transfer to completed properties held for sale	**(23,112,583)**	(10,987,565)
At end of the year	**71,974,209**	65,470,147
Properties under development comprises:		
Land use rights	**38,349,707**	36,175,616
Construction costs and capitalized expenditure	**29,210,984**	26,098,993
Interest capitalized	**4,413,518**	3,195,538
	71,974,209	65,470,147

Land use rights are analyzed as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	**33,420,537**	30,114,028
Leases within 50 years	**4,929,170**	6,061,588
	38,349,707	36,175,616

Properties under development are all located in the PRC.

As at 31 December 2012 and 2011, properties under development of approximately RMB37,420,859,000 and RMB24,934,788,000 respectively were pledged as collateral for the Group's borrowings (Note 33).

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB34,632,399,000 (2011: RMB38,237,926,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

20 Land development cost recoverable

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

21 Deposits for land use rights

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Deposits to local land authorities (a)	**5,083,619**	7,653,214
Deposits to third parties	**–**	535,278
	5,083,619	8,188,492

(a) Deposits of approximately RMB5,083,619,000 and RMB7,653,214,000 were paid to local land authorities for open market bidding of land use rights as at 31 December 2012 and 2011 respectively.

22 Trade and other receivables

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	**1,062,557**	927,378
Less: provision for impairment	**(80,269)**	(31,749)
Trade receivables — net (a)	**982,288**	895,629
Prepayments for acquisition	**–**	51,790
Tax prepayments for advances from customers	**3,284,151**	2,298,024
Entrusted loan to third parties (b)	**175,000**	475,000
Entrusted loan to a jointly controlled entity	**–**	25,000
Entrusted loan to an associate (c)	**398,306**	365,771
Notes receivables (d)	**–**	46,147
Receivable from government (e)	**2,146,969**	201,321
Receivable from disposals of subsidiaries (f)	**–**	50,199
Amounts due from jointly controlled entities (g)	**1,031,333**	624,756
Amounts due from associates (h)	**219,285**	113,453
Amounts due from non-controlling interests	**45,720**	112,127
Cooperation deposits (i)	**215,006**	127,350
Other prepayments	**773,354**	383,907
Other receivables	**523,459**	290,963
	9,794,871	6,061,437
Less: non-current portion	**(475,129)**	(598,245)
Current portion	**9,319,742**	5,463,192

The carrying amounts of trade and other receivables approximated to their respective fair values as at 31 December 2012 and 2011.

22 Trade and other receivables *(Continued)*

(a) Trade receivables

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 6 months	**466,271**	872,704
Between 6 months to 1 year	**406,095**	35,770
Between 1 year to 2 years	**183,518**	15,080
Between 2 years to 3 years	**2,865**	1,593
Over 3 years	**3,808**	2,231
	1,062,557	927,378

(i) As at 31 December 2012, trade receivables of RMB896,527,000 (2011: RMB535,959,000) were past due but not impaired. These related to a number of independent customers from upfitting services and property management services, for whom there is no significant financial difficulty and no recent history of default. Based on past experience, the overdue amounts can be recovered.

(ii) As at 31 December 2012, trade receivables of RMB80,269,000 (2011: RMB31,749,000) were impaired. The individually impaired receivables mainly related to receivables of upfitting and property managements fees.

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
At 1 January	**(31,749)**	(6,051)
Provision for receivable impairment	**(48,520)**	(28,469)
Unused amounts reversed	**–**	2,771
At 31 December	**(80,269)**	(31,749)

(b) As at 31 December 2012, entrusted loans amounting to RMB175,000,000 (2011: RMB475,000,000) represent amounts lent to certain third parties. These balances are secured by respective share capital of the third parties and repayable on demand, interest bearing from 5.56% to 6.65% (2011: from 5.31% to 12%). RMB175,000,000 (2011: RMB150,000,000) are payable in 2013.

(c) Entrusted loans to an associate are unsecured, interest bearing at rate 5.31% (2011: 5.31%) and are repayable in 2014.

22 Trade and other receivables *(Continued)*

(d) On 8 January 2008, the Group subscribed notes receivables with an aggregate principal amount of USD30 million (the "Notes") from an independent third party.

As at 31 December 2011, the Group, together with other subscribers (the "investors") of the Notes, was in arrangement with the issuer for repayments of the principal of the Notes, as well as respective interests. On 20 January 2012, a payment deed was signed between the investors and the issuer of the Notes, with principal and respective interests committed to be fully settled by 2014.

As at 31 December 2012, the Group reversed RMB43,853,000 impairment of such receivable due to partial repayments of the principal of the Notes from the issuer.

(e) This mainly represents payment made for land development cost which will be subsequently reimbursed by the government.

(f) As at 31 December 2011, balances represented considerations receivable from the disposal of ordinary shares of Glorious Property Holding Limited ("Glorious") through disposal of a subsidiary. Such amount has been settled during the year by repurchase of ordinary shares of Glorious by the Group. Refer to Note 37 for details.

(g) Amounts due from jointly controlled entities are interest free, and repayable on demand.

(h) Amounts due from associates are interest free and repayable on demand.

(i) Balances represent amounts paid to certain third parties, with the intention of future cooperation in real estate project development. As at 31 December 2012, such cooperation is still in negotiation stage, and it is expected to close in 2013.

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

23 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2012 and 2011 respectively.

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Completed properties held for sale comprised:		
Land use rights	**2,396,915**	474,910
Construction costs and capitalized expenditure	**6,548,003**	2,627,776
Interest capitalized	**146,952**	171,515
	9,091,870	3,274,201

As at 31 December 2012, RMB2,583,448,000 completed properties held for sale amounting to were pledged as collateral for the Group's borrowings (2011: RMB204,826,000) (Note 33).

Impairment loss amounting to RMB92,630,000 were recognized in profit or loss for the year ended 31 December 2012 (2011: Nil).

23 Completed properties held for sale *(Continued)*

Land use rights are analyzed as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	**1,585,233**	249,900
Leases within 50 years	**811,682**	225,010
	2,396,915	474,910

24 Amount due from customers for contract work

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Contract cost incurred plus recognized profit	**5,056,919**	3,220,385
Less: Progress receivables	**(4,224,756)**	(2,800,642)
Contract work-in-progress	**832,163**	419,743
Representing:		
Amounts due from customers for contract work	**832,163**	419,743

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Contract revenue recognized as revenue in the year	**1,617,189**	1,491,681

25 Restricted bank deposits

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

26 Cash and cash equivalents

	As at 31 December			
	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Cash at bank and in hand	**8,879,649**	6,895,995	**15,888**	36,064
Short-term bank deposits	**1,867,830**	1,751,799	**417,929**	350,007
Cash and cash equivalents	**10,747,479**	8,647,794	**433,817**	386,071
Denominated in:				
— RMB	**9,561,603**	6,771,457	**88,276**	53
— HKD	**798,741**	783,320	**272,146**	267,592
— USD	**387,119**	1,093,006	**73,379**	118,415
— other currencies	**16**	11	**16**	11
	10,747,479	8,647,794	**433,817**	386,071

The effective interest rates on short-term bank deposits ranged from 0.01% to 2.86% for the year ended 31 December 2012 (2011: 0.5% to 3.55%).

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

27 Share capital and premium

	Number of ordinary shares of HKD 0.8 each	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
Opening balance 1 January 2012	**5,660,257,632**	**4,528,206**	**4,304,667**	**15,926,417**	**–**	**20,231,084**
Issue of shares pursuant to exercise of employee share options	**12,811,500**	**10,249**	**8,347**	**28,286**	**–**	**36,633**
Issue of scrip dividends	**177,072,131**	**141,658**	**115,662**	**352,597**	**–**	**468,259**
Vesting of shares under restricted share award scheme	**–**	**–**	**–**	**(495)**	**–**	**(495)**
	5,850,141,263	**4,680,113**	**4,428,676**	**16,306,805**	**–**	**20,735,481**
Restricted share award scheme (a)						
Opening balance 1 January 2012	**(33,702,318)**	**–**	**–**	**–**	**(131,959)**	**(131,959)**
Issue of scrip dividends	**(1,332,331)**	**–**	**–**	**–**		
Vesting of shares under restricted share award scheme	**10,493,464**	**–**	**–**	**–**	**39,524**	**39,524**
At 31 December 2012	**(24,541,185)**	**–**	**–**	**–**	**(92,435)**	**(92,435)**
At 31 December 2012	**5,825,600,078**	**4,680,113**	**4,428,676**	**16,306,805**	**(92,435)**	**20,643,046**
Opening balance 1 January 2011	5,638,374,432	4,510,699	4,290,394	15,831,018	–	20,121,412
Issue of shares pursuant to exercise of employee share options	982,500	786	649	2,212	–	2,861
Issue of scrip dividends	35,200,700	28,161	23,102	93,187	–	116,289
Share buyback	(14,300,000)	(11,440)	(9,478)	–	–	(9,478)
	5,660,257,632	4,528,206	4,304,667	15,926,417	–	20,231,084
Restricted share award scheme (a)						
Opening balance 1 January 2011	(21,528,000)	–	–	–	(95,986)	(95,986)
Shares purchased during the year	(12,174,318)	–	–	–	(35,973)	(35,973)
At 31 December 2011	(33,702,318)	–	–	–	(131,959)	(131,959)
At 31 December 2011	5,626,555,314	4,528,206	4,304,667	15,926,417	(131,959)	20,099,125

(a) On 22 March 2010, the board of the Company resolved to adopt a restricted share award scheme, pursuant to which existing shares are purchased from the market and be held in trust for the relevant selected employees, until such shares are vested in accordance with the provision of the scheme. As at 31 December 2012, 6,247,296 (2011: 16,991,200) shares were granted but not yet vested under the scheme.

28 Retained earnings

	Year ended 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**6,497,606**	5,301,879	**1,022,326**	437,181
Profit for the year	**3,796,032**	2,570,657	**958,716**	1,216,114
Dividends relating to 2010	**–**	(376,076)	**–**	(376,076)
Dividends relating to 2011 (Note 45)	**(461,745)**	(232,173)	**(461,745)**	(232,173)
Dividends relating to 2012 (Note 45)	**(283,391)**	–	**(283,391)**	–
Distribution relating to convertible securities (Note 31)	**(448,809)**	(460,996)	**–**	–
Distribution relating to capital securities (Note 32)	**(258,368)**	(129,751)	**–**	–
Share buyback	**–**	(40,458)	**–**	(40,458)
Transfer from employee share option reserve for forfeited options	**–**	17,738	**–**	17,738
Transfer to statutory reserve fund	**(61,339)**	(153,214)	**–**	–
At 31 December	**8,779,986**	6,497,606	**1,235,906**	1,022,326

29 Reserves

(a) Group

	Capital redemption reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted share award scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2012	14,376	(763,427)	825,330	(39,097)	(33,489)	344,008	30,661	(208,814)	169,548
Fair value loss on available-for-sale financial assets	–	–	–	–	22,610	–	–	–	22,610
Currency translation differences	–	–	–	(13,633)	–	–	–	–	(13,633)
Expenses on share-based payment	–	–	–	–	–	98,003	21,237	–	119,240
Expiry of share option	–	–	–	–	–	(137,457)	–	137,457	–
Issue of shares pursuant to exercise of employee share options	–	–	–	–	–	(10,027)	–	–	(10,027)
Vesting of shares under restricted share award scheme	–	–	–	–	–	–	(39,029)	–	(39,029)
Transfer from retained earnings	–	–	61,339	–	–	–	–	–	61,339
Capital injection from non-controlling interests	–	–	–	–	–	–	–	104,110	104,110
Increase in non-controlling interests as a result of disposal of interests without change of control	–	–	–	–	–	–	–	1,174	1,174
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	(536)	(536)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling interests (Note 49)	–	–	–	–	–	–	–	(79,536)	(79,536)
At 31 December 2012	14,376	(763,427)	886,669	(52,730)	(10,879)	294,527	12,869	(46,145)	335,260

29 Reserves *(Continued)*

(a) Group *(Continued)*

	Capital redemption reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Restricted share award scheme RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2011	4,898	(763,427)	672,116	(25,191)	22,973	328,442	–	(466,676)	(226,865)
Fair value loss on available-for-sale financial assets	–	–	–	–	(38,183)	–	–	–	(38,183)
Reserves realized in consolidated income statement upon disposal of available-for-sale investments	–	–	–	–	(18,279)	–	–	–	(18,279)
Currency translation differences	–	–	–	(13,906)	–	–	–	–	(13,906)
Expenses on share based payment	–	–	–	–	–	16,349	30,661	–	47,010
Share buyback	9,478	–	–	–	–	–	–	–	9,478
Issue of shares pursuant to exercise of employee share options	–	–	–	–	–	(783)	–	–	(783)
Transfer from retained earnings	–	–	153,214	–	–	–	–	–	153,214
Increase in non-controlling interests as a result of disposal of interests without change of control	–	–	–	–	–	–	–	466,130	466,130
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling interests	–	–	–	–	–	–	–	(208,268)	(208,268)
At 31 December 2011	14,376	(763,427)	825,330	(39,097)	(33,489)	344,008	30,661	(208,814)	169,548

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

(b) Company

	RMB'000
At 1 January 2012	**358,384**
Employee share options	**98,003**
Issue of shares pursuant to exercise of employee share options	**(10,027)**
Share buyback	**–**
At 31 December 2012	**446,360**
At 1 January 2011	333,340
Employee share options	16,349
Issue of shares pursuant to exercise of employee share options	(783)
Share buyback	9,478
At 31 December 2011	358,384

30 Share option

Share options are granted to several directors and to selected employees, in which 40% of the options are exercisable 1 year from the grant date; 70% of the options are exercisable 2 years from the grant date, and all options are exercisable 3 years from the grant date. The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Average exercise price in HK dollar per share HKD	Shares (thousands)
At 1 January 2012	**6.82**	**159,871**
Granted during the year	**3.57**	**160,000**
Lapsed during the year	**7.01**	**(77,737)**
Exercised during the year	**2.55**	**(12,812)**
At 31 December 2012	**4.73**	**229,322**

Out of the 229,322,000 outstanding options (2011: 159,871,000), 81,498,000 (2011: 97,855,000) were exercisable as at 31 December 2012.

Share options outstanding as at 31 December 2012 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
24 January 2013	7.70	6,630
19 September 2013	2.55	12,618
30 July 2014	8.59	22,290
2 September 2014	7.01	16,310
5 October 2014	7.11	23,650
12 January 2017	3.57	147,824
		229,322

147,824,000 options were granted for the year ended 31 December 2012 (2011: nil). The weighted average fair value of options granted during the year 2012 determined using the binomial lattice model was HKD1.34 per option. Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

31 Convertible securities

On 27 July 2010, Sino-Ocean Land Capital Finance Limited, a wholly owned subsidiary, issued a perpetual subordinated convertible securities (the "convertible securities") callable in 2015, with an initial aggregate principal amount of USD900,000,000.

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

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

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

The Group had not elected to defer distribution payments for the semi-annual period ended 27 January 2013, and such distribution had been fully settled as at the date of the approval of these financial statements.

32 Capital securities

On 13 May 2011, Sino-Ocean Land (Perpetual Finance) Limited, a wholly owned subsidiary, issued a perpetual subordinated capital securities (the "capital securities") callable in 2016, with an initial aggregate principal amount of USD400,000,000.

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

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

33 Borrowings

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Bank borrowings (a)	**17,200,032**	12,335,692	**3,575,128**	–
Other borrowings (b)	**3,673,407**	6,769,969	**–**	–
Total non-current borrowings	**20,873,439**	19,105,661	**3,575,128**	–
Current				
Current portion of long-term bank borrowings (a)	**5,682,024**	8,130,239	**362,971**	3,056,444
Current portion of long-term other borrowings (b)	**2,599,800**	4,080,000	**–**	–
Short-term bank borrowings (a)	**1,004,836**	1,500,034	**–**	502,234
Short-term other borrowings (b)	**2,232,948**	771,532	**–**	–
Total current borrowings	**11,519,608**	14,481,805	**362,971**	3,558,678
Total borrowings	**32,393,047**	33,587,466	**3,938,099**	3,558,678

(a) As at 31 December 2012 and 2011, bank borrowings amounting to RMB19,054,681,000 and RMB12,897,300,000 were secured by property, plant and equipment (Note 7), land use rights (Note 8), investment properties (Note 9), properties under development (Note 19), completed properties held for sale (Note 23) of the Group.

As at 31 December 2012, the Company had no pledge for borrowings (2011: nil).

(b) Other borrowings

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Bond issuance (i)	**2,406,843**	2,586,411
Borrowings from trust companies (ii)	**4,699,800**	7,679,800
Borrowings from jointly controlled entities (iii)	**405,148**	583,758
Borrowings from third parties (iv)	**994,364**	771,532
	8,506,155	11,621,501
Less: non-current portion	**(3,673,407)**	(6,769,969)
Current portion	**4,832,748**	4,851,532

33 Borrowings *(Continued)*

(b) Other borrowings *(Continued)*

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

In 2012, the interest rate of such bond have increased to 5.40% per annum.

(ii) Such loans bear interests rate from 7% to 13% per annum, and are repayable after 24 months from the inception date of the loan.

(iii) The balances represented the loans from the two of our jointly controlled entities (Note 12(c)(i) and Note 12(c)(ii)) to the Group's subsidiaries as at 31 December 2012 and 2011. Such loans bear interests at floating rates, and are repayable from 2013 to 2016.

(iv) Balance represents borrowings from certain individual third parties, bear interests rate from 10% to 12%, and is repayable before January 2014.

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

	As at 31 December	
	2012 Bank and other borrowings RMB'000	2011 Bank and other borrowings RMB'000
Total borrowings		
— Within 1 year	**11,519,608**	14,481,805
— Between 1 and 2 years	**7,460,666**	6,779,214
— Between 2 and 5 years	**11,263,273**	10,001,447
— Over 5 years	**2,149,500**	2,325,000
	32,393,047	33,587,466

33 Borrowings *(Continued)*

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Denominated in:		
— RMB	**26,899,918**	26,631,880
— HKD	**819,302**	405,350
— USD	**4,673,827**	6,550,236
	32,393,047	33,587,466

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Bank borrowings	**6.77%**	6.40%
Other borrowings	**9.71%**	8.13%

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 6 months	**20,648,611**	18,840,573
Between 6 and 12 months	**3,063,200**	430,000
Between 1 and 5 years	**8,681,236**	14,316,893
	32,393,047	33,587,466

(g) The carrying amounts of non-current borrowings approximated to their respective fair values as at 31 December 2012 and 2011.

Fair values of non-current borrowings as at 31 December 2012 are based on cash flows discounted using weighted average rate of return of 8.21% (2011: 8.22%).

34 Deferred income tax

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

	As at 31 December 2012 RMB'000	2011 RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**1,164,878**	480,237
— to be recovered within 12 months	**1,229,014**	1,022,596
	2,393,892	1,502,833
Deferred income tax liabilities:		
— to be recovered after more than 12 months	**(1,698,080)**	(1,380,256)
— to be recovered within 12 months	**–**	(6,483)
	(1,698,080)	(1,386,739)
Deferred income tax assets, net	**695,812**	116,094

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

	Year ended 31 December 2012 RMB'000	2011 RMB'000
At beginning of the year	**(116,094)**	537,128
Recognized in the income statement (Note 43)	**(579,718)**	(653,222)
At end of the year	**(695,812)**	(116,094)

34 Deferred income tax *(Continued)*

The movement in deferred income tax assets and liabilities during the years ended 31 December 2012 and 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of expenses RMB'000	Recognition of financial guarantee liabilities RMB'000	Unrealized gain RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2012	**813,388**	**18,486**	**534,984**	**135,975**	**1,502,833**
Credited/(charged) to income statement	**689,860**	**(6,017)**	**173,905**	**33,311**	**891,059**
At 31 December 2012	**1,503,248**	**12,469**	**708,889**	**169,286**	**2,393,892**
At 1 January 2011	429,695	11,307	324,856	48,386	814,244
Credited to income statement	383,693	7,179	210,128	87,589	688,589
At 31 December 2011	813,388	18,486	534,984	135,975	1,502,833

Deferred income tax liabilities

	Depreciation difference RMB'000	Investment properties revaluation RMB'000	Property revaluation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	**(51,195)**	**(736,676)**	**(593,748)**	**(5,120)**	**(1,386,739)**
Credited/(charged) to income statement	**(8,962)**	**(398,264)**	**95,885**	**–**	**(311,341)**
At 31 December 2012	**(60,157)**	**(1,134,940)**	**(497,863)**	**(5,120)**	**(1,698,080)**
At 1 January 2011	(60,094)	(596,674)	(689,484)	(5,120)	(1,351,372)
Credited/(charged) to income statement	8,899	(140,002)	95,736	–	(35,367)
At 31 December 2011	(51,195)	(736,676)	(593,748)	(5,120)	(1,386,739)

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realisation of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets of RMB36,729,000 (2011: RMB45,735,000) in respect of losses amounting to RMB146,917,000 (2011: RMB182,938,000) that can be carried forward against future taxable income.

Deferred income tax liabilities of RMB115,512,000 (2011: RMB120,110,000) have not been recognized for the withholding tax that would be payable on the undistributed earnings of certain subsidiaries. Such amounts are permanently reinvested. Undistributed earnings totaled RMB2,310,103,000 at 31 December 2012 (2011: RMB2,402,146,000).

35 Trade and other payables

(a) Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables	**9,960,027**	5,687,484
Accrued expenses	**2,814,236**	1,977,633
Distribution payable (Note 31)	**189,709**	195,138
Amounts due to jointly controlled entities	**1,886**	3,181
Amounts due to associates	**194,338**	190
Amounts due to non-controlling interests (i)	**319,762**	503,828
Amounts due to government	**185,000**	128,000
Consideration payable	**–**	120,000
Other taxes payable	**544,226**	442,628
Provision for financial guarantee liabilities(ii)	**82,255**	64,134
Other payables	**1,899,125**	1,052,605
	16,190,564	10,174,821

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

(i) Amounts due to non-controlling interests are unsecured, interest free, and repayable on demand.

(ii) The provision for financial guarantee liabilities given to purchasers of the Group's properties as set out in Note 47 is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**64,134**	58,989
Addition	**63,659**	53,766
Reversal	**(45,538)**	(48,621)
At end of the year	**82,255**	64,134

35 Trade and other payables *(Continued)*

(a) Group *(Continued)*

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 6 months	**7,082,600**	4,621,569
Between 6 months to 12 months	**2,000,383**	635,849
Between 1 year to 2 years	**543,099**	383,132
Between 2 years to 3 years	**292,824**	25,339
Over 3 years	**41,121**	21,595
	9,960,027	5,687,484

(b) Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Other payables	**23,336**	27,804
	23,336	27,804

36 Advances from customers

Advances from customers represent amounts received from sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at year-end.

37 Financial derivative instrument

In December 2012, the Group entered into a supplemental agreement with Win Powerful Investments Limited ("Win Powerful"), a third party company, under which the Group would purchase back the entire 52,840,000 ordinary shares of Glorious from Win Powerful at price of HKD1.32 per share. Such purchase was settled by offsetting the original consideration receivable (Note 22(f)) from Win Powerful as at the date of purchase at similar amount. In addition, the Group granted a call option to Win Powerful, with the fair value of approximately RMB19,121,000, which would allow Win Powerful to purchase no more than 52,840,000 ordinary shares of Glorious from the Group at exercise price of HKD1.77 per share during the period from 11 December 2012 to 10 December 2015 ("the Transaction"). As a result of the Transaction, the Group recorded loss amounting to RMB8,709,000 (Note 39).

38 Interest and other income

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Dividend income from available-for-sale financial assets	**16,253**	19,362
Interest income	**110,308**	160,708
Others	**82,227**	44,922
	208,788	224,992

39 Other (losses)/gains — net

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Gains/(Losses) on disposal of subsidiaries, net (Note 50)	**70,685**	(1,910)
Gains on disposal of partial interests in an associate to a subsidiary of a shareholder (Note 51 (b))	**20,333**	–
Fair value losses of other investment	**(1,623)**	(118)
Gains on disposal of other investment	**1,238**	–
Gains on revaluation of financial assets at fair value through profit or losses	**17,365**	6,670
Gains on disposal of financial assets at fair value through profit or losses	**5,601**	–
Goodwill impairment	**(125,527)**	–
Losses on disposal of property, plant and equipment	**(692)**	(404)
Impairment losses of available-for-sale financial assets	**(40,800)**	–
Exchange gains	**5,409**	120,706
Gains on disposal of available-for-sale financial assets	**–**	18,279
Other losses on de-recognition of receivable from disposal of a subsidiary (Note 37)	**(8,709)**	–
Other losses	**(69,237)**	(14,965)
	(125,957)	128,258

40 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	**4,245,869**	1,225,321
— Capitalized interest	**1,100,549**	679,579
— Construction related cost	**11,830,570**	8,580,960
Cost of upfitting services rendered	**1,400,986**	1,322,546
Direct investment property expenses (Note 9)	**47,980**	84,082
Employee benefit expense (Note 41)	**733,805**	467,753
Consultancy fee	**121,484**	154,308
Auditor's remuneration	**13,802**	15,250
Depreciation (Note 7)	**46,817**	48,722
Amortization of land use rights (Note 8)	**246**	246
Advertising and marketing	**879,977**	706,619
Business taxes and other levies	**1,654,614**	1,170,680
Impairment losses	**118,076**	397,824
Office expenditure	**102,127**	96,532
Properties maintenance expenses	**193,273**	124,178
Energy expenses	**62,583**	57,692
Others	**222,277**	103,240
	22,775,035	15,235,532

41 Employee benefits expense

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salaries, wages and bonuses	**974,571**	721,837
Retirement benefits contribution	**60,095**	53,165
Share options granted to directors and employees	**98,003**	16,349
Restricted share award scheme	**21,237**	30,661
Other allowances and benefits	**133,757**	129,490
	1,287,663	951,502
Less: capitalized in properties under development	**(553,858)**	(483,749)
	733,805	467,753

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2012 and 2011.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD20,000).

41 Employee benefits expense *(Continued)*

(a) Directors' emoluments

The remunerations of every director for the years are set out below:

	Year ended 31 December											
	2012						2011					
	Fees RMB'000	Salary and bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other long-term welfare RMB'000	Share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salary and bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other long-term welfare RMB'000	Share-based payments RMB'000	Total RMB'000
Mr. Li Ming	–	4,630	3,365	1,072	7,612	16,679	–	5,500	4,030	3,066	6,472	19,068
Mr. Wang Xiaoguang	–	8,070	171	–	3,112	11,353	–	7,430	258	–	2,283	9,971
Mr. Chen Runfu	–	2,430	152	–	2,655	5,237	–	3,630	226	–	1,935	5,791
Ms.Liu Hui	–	–	–	–	336	336	–	–	–	–	108	108
Mr. Yang Zheng	–	–	–	–	259	259	–	–	–	–	–	–
Mr. Cheung Sai Sing	243	–	–	–	259	502	170	–	–	–	–	170
Mr. Tsang Hing Lun	243	–	–	–	498	741	203	–	–	–	219	422
Mr. Gu Yunchang	243	–	–	–	498	741	203	–	–	–	224	427
Mr. Han Xiaojing	243	–	–	–	498	741	203	–	–	–	224	427
Mr. Zhao Kang	243	–	–	–	498	741	203	–	–	–	224	427
	1,215	15,130	3,688	1,072	16,225	37,330	982	16,560	4,514	3,066	11,689	36,811

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2012 **RMB'000**	2011 RMB'000
Basic salaries and allowance	**4,620**	4,620
Bonuses	**8,510**	12,533
Retirement scheme contributions	**370**	500
Share-based payments	**11,984**	5,886
	25,484	23,539

41 Employee benefits expense *(Continued)*

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

The emoluments fell within the following bands:

	Year ended 31 December	
	2012	2011
RMB6,081,000 (equivalent to HK$7,500,000) to RMB6,487,000 (equivalent to HK$8,000,000)	**–**	1
RMB7,703,000 (equivalent to HK$9,500,000) to RMB8,109,000 (equivalent to HK$10,000,000)	**1**	–
RMB8,109,000 (equivalent to HK$10,000,000) to RMB8,514,000 (equivalent to HK$10,500,000)	**1**	1
RMB8,919,000 (equivalent to HK$11,000,000) to RMB9,325,000 (equivalent to HK$11,500,000)	**1**	1
RMB9,730,000 (equivalent to HK$12,000,000) to RMB10,136,000 (equivalent to HK$12,500,000)	**–**	1
RMB10,946,000 (equivalent to HK$13,500,000) to RMB11,352,000 (equivalent to HK$14,000,000)	**1**	–
RMB16,622,000 (equivalent to HK$20,500,000) to RMB17,028,000 (equivalent to HK$21,000,000)	**1**	–
RMB19,055,000 (equivalent to HK$23,500,000) to RMB19,460,000 (equivalent to HK$24,000,000)	**–**	1
	5	5

(c) During the years ended 31 December 2012 and 2011, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

42 Finance costs

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	**2,019,193**	1,269,986
— Other borrowings	**926,623**	970,161
Less: interest capitalized at a capitalisation rate of 7.72% (2011: 6.67%) per annum	**(2,320,453)**	(1,820,711)
	625,363	419,436

43 Income tax expense

Majority of the group entities are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the years ended 31 December 2012 and 2011. Other group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the consolidated income statement represents:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	**2,308,304**	2,099,207
— PRC land appreciation tax	**1,519,021**	1,107,563
Deferred income tax (Note 34)	**(579,718)**	(653,222)
	3,247,607	2,553,548

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit before income tax	**7,234,916**	5,174,346
Adjust for: Share of gains of jointly controlled entities	**(362,060)**	(68,911)
Share of losses of associates	**2,677**	2,571
	6,875,533	5,108,006
Tax calculated at a tax rate of 25%	**1,718,883**	1,277,002
Effect of higher tax rate for the appreciation of land in the PRC	**1,139,265**	830,672
Income not subject to tax	**(3,025)**	(21,544)
Expenses not deductible for tax purposes	**279,815**	357,168
Dividend withholding tax	**83,095**	58,193
Tax losses not recognized	**77,492**	59,064
Utilisation of previously unrecognized tax losses	**(47,918)**	(7,007)
Income tax expense	**3,247,607**	2,553,548

44 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as shares held for Restricted Share Award Scheme (Note 27).

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the company (RMB'000)	**3,796,032**	2,570,657
Distribution relating to convertible and capital securities (RMB'000)	**(707,177)**	(590,747)
Profit used to determine basic earnings per share (RMB'000)	**3,088,855**	1,979,910
Weighted average number of ordinary shares in issue (thousands)	**5,702,860**	5,622,327
Basic earnings per share (RMB per share)	**0.542**	0.352

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, shares held for the Restricted Share Award Scheme, and convertible securities. For the share option and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and the unvested awarded shares. 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 and the payout of the awarded shares. Shares held for the Restricted Share Award Scheme of 16,991,200 shares, when calculated on a weighted average basis, were not included in the calculation of dilutive earnings per share for the year ended 31 December 2011 because of their anti-diluted effect. Convertible securities of 374,278,000 shares (note 31), when calculated on a average basis, were not included in the calculation of dilutive earnings per share for the years ended 31 December 2012 and 2011 because of their anti-diluted effect.

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the company (RMB'000)	**3,796,032**	2,570,657
Distribution relating to convertible and capital securities (RMB'000)	**(707,177)**	(590,747)
Profit used to determine diluted earnings per share (RMB'000)	**3,088,855**	1,979,910
Weighted average number of ordinary shares in issue (thousands)	**5,702,860**	5,622,327
Adjustment for:		
— share options (thousands)	**2,885**	10,550
— shares held for the Restricted Share Award Scheme (thousands)	**320**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**5,706,065**	5,632,877
Diluted earnings per share (RMB per share)	**0.541**	0.351

45 Dividends

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interim dividend paid	**283,391**	232,173
Proposed final dividend of RMB0.14 (2011: RMB0.08) per ordinary share (a)	**806,942**	462,059

(a) On 12 March 2013, the Company proposed a final dividend of RMB806,942,000 for the year ended 31 December 2012.

46 Cash used in operations

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit for the year	**3,987,309**	2,620,798
Adjustments for:		
— Income tax expense (Note 43)	**3,247,607**	2,553,548
— Depreciation (Note 7)	**46,817**	48,722
— Amortisation of land use rights (Note 8)	**246**	246
— Valuation gains on investment properties (Note 9)	**(1,535,304)**	(512,778)
— Goodwill disposed for sales of properties charged to cost of sales (Note 10)	**47,570**	75,189
— Goodwill impairment (Note 10)	**125,527**	–
— Share of results of jointly controlled entities (Note 12)	**(355,785)**	(51,422)
— Share of results of associates (Note 13)	**20,935**	11,992
— Other losses on de-recognition of receivable from disposals of subsidiaries (Note 37)	**8,709**	–
— Dividend income from available-for-sale financial assets (Note 38)	**(16,253)**	(19,362)
— Interest income	**(53,953)**	(123,974)
— (Gains)/Losses on disposal of subsidiaries (Note 39)	**(70,685)**	1,910
— Gains on disposal of partial interests in an associate (Note 39)	**(20,333)**	–
— Gains on disposal of available-for-sale financial assets (Note 39)	**–**	(18,279)
— Losses on sale of property, plant and equipment (Note 39)	**692**	404
— Fair value losses from other investment (Note 39)	**1,623**	118
— Fair value gains on financial assets at fair value through profit or loss (Note 39)	**(17,365)**	(6,670)
— Impairment losses of available-for-sale financial assets (Note 39)	**40,800**	–
— Other losses	**69,237**	–
— Impairment losses	**118,076**	397,824
— Finance cost (Note 42)	**625,363**	419,436
— Exchange losses	**747**	94,693
— Share-based payments	**119,240**	53,661
	6,390,820	5,546,056

46 Cash used in operations *(Continued)*

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	**(5,935,603)**	(692,550)
— Inventories, at cost	**(10,638)**	(7,410)
— Amounts due from customers for contract work	**(412,420)**	(251,355)
— Trade and other receivables	**(2,666,472)**	(2,498,699)
— Land development cost recoverable	**456,529**	(1,272,869)
— Deposits for land use rights	**3,104,873**	10,636,568
— Cooperation deposit	**(10,144)**	(127,350)
— Trade and other payables	**6,212,043**	4,465,572
— Other investment	**(49,134)**	28,009
— Financial assets at fair value through profit or loss	**297,389**	(376,715)
— Prepayments	**(394,198)**	(200,810)
— Advanced proceeds received from customers	**8,575,015**	6,635,357
— Properties under development	**(4,656,781)**	(22,606,100)
— Restricted bank deposits	**(1,630,375)**	(2,711,444)
Cash generated from/(used in) operations	**9,270,904**	(3,433,740)

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Net book amount (Note 7)	**11,280**	6,975
Loss on disposal of property, plant and equipment (Note 39)	**(692)**	(404)
Proceeds from disposal of property, plant and equipment	**10,588**	6,571

47 Financial guarantees

(a) Group

The Group had the following financial guarantees as at 31 December 2012 and 2011:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**3,837,194**	3,158,916

As at 31 December 2012 and 2011, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) Company

As at 31 December 2012 and 2011, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of convertible securities (Note 31) and capital securities (Note 32).

48 Commitments

(a) Capital commitments

(i) Capital commitments — Group

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Land use rights	**7,710,225**	8,520,809
Properties under development	**22,594,870**	24,621,426
Contracted but not provided for	**30,305,095**	33,142,235

(ii) Capital commitments — Company

There are no capital commitments relating to the Company for the year ended 2012 and 2011.

48 Commitments *(Continued)*

(b) Operating lease rental receivables

(i) Operating lease rental receivables — Group

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**425,433**	353,929
Between 1 to 5 years	**839,995**	592,388
Over 5 years	**105,019**	66,754
	1,370,447	1,013,071

(ii) Operating lease rental receivables — Company

There are no operating lease rental receivables relating to the Company for the year ended 2012 and 2011.

49 Transactions with non-controlling interests

(a) Acquisition of additional interest in a subsidiary

On 27 December 2012, the Group acquired an additional 37% equity interest of Hangzhou Deyuan Ruixiang Property Limited ("Hangzhou Deyuan Ruixiang") at consideration of RMB346,380,000. The carrying amount of the non-controlling interests in Hangzhou Deyuan Ruixiang on the date of acquisition was RMB266,844,000. The Group recognized a decrease in non-controlling interests of RMB266,844,000 and a decrease in equity attributable to owners of the Company of RMB79,536,000. The effect of changes in the ownership interest of Hangzhou Deyuan Ruixiang on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2012
	RMB'000
Carrying amount of non-controlling interests acquired	**266,844**
Consideration paid to non-controlling interests	**(346,380)**
Excess of consideration paid recognized within equity	**(79,536)**

49 Transactions with non-controlling interests *(Continued)*

(b) Effects of transactions with non-controlling interests on the equity attributable to equity holders for the year ended 31 December 2012:

	2012 RMB'000
Total comprehensive income for the year attributable to the owners of the Company	**3,805,009**
Changes in equity attributable to owners of the Company arising from the acquisition of additional interests in a subsidiary	**(79,536)**
	3,725,473

50 Disposal of subsidiaries

(a) In March 2012, the Group disposed Beijing Yinfan Jiye Property Development Limited, a 70% owned subsidiary of the Group to third party at cash consideration of RMB35,023,000.

	2012 RMB'000
Proceeds on disposal of subsidiary	**35,023**
Carrying value of the subsidiary disposed — shown as below	**(32,519)**
Gain on disposal of the subsidiary	**2,504**

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	17
Completed properties held for sale	13,115
Trade and other receivables	329,782
Cash and cash equivalents	542
Trade and other payables	(297,001)
Net assets of the subsidiary	46,455
Shares disposed	70%
Net assets disposed	32,519
Inflow of cash to dispose business, net of cash disposed	
Proceeds received in cash	35,023
Cash and cash equivalents in subsidiary disposed of	(542)
Cash inflow on disposal	34,481

50 Disposal of subsidiaries *(Continued)*

(b) In June 2012, the Group disposed Chengdu Tongyi Property Development Limited, a 51% owned subsidiary of the Group to third party at cash consideration of RMB164,260,000.

	2012 **RMB'000**
Proceeds on disposal of subsidiary	**164,260**
Carrying value of the subsidiary disposed — shown as below	**(96,079)**
Gain on disposal of the subsidiary	**68,181**

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	308
Deferred income tax assets	3,389
Properties under development	499,532
Trade and other receivables	404,522
Cash and cash equivalents	57,025
Trade and other payables	(12,421)
Advance from customer	(763,965)
Net assets disposed	188,390
Shares disposed	51%
Net assets disposed	96,079
Inflow of cash to dispose business, net of cash disposed	
Proceeds received in cash	164,260
Cash and cash equivalents in subsidiary disposed of	(57,025)
Cash inflow on disposal	107,235

51 Related party transactions

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2012 and 2011:

(a) Sales of properties and services

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Provision of services:		
— A shareholder	**54,641**	–
— A jointly controlled entity	**89,765**	242,245
— An associate	**159,390**	1,439
	303,796	243,684

(b) Transaction with a subsidiary of a shareholder

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Gains on disposal of partial interests in an associate to a subsidiary of a shareholder(i)	**20,333**	–

(i) In April 2012 the Group disposed partial interests of an associate to a subsidiary of a shareholder, at cash consideration of RMB141,000,000 (Note 13 and Note 39).

(c) Key management compensation

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**56,832**	69,699
Post-employment benefits	**6,216**	7,131
Other long-term welfare	**2,672**	3,066
Share-based payments	**42,853**	19,525
	108,573	99,421

51 Related party transactions *(Continued)*

(d) Year-end balances arising from sales of properties and services

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Receivables from related parties:		
— An associate	**1,199**	6,547
— Jointly controlled entities	**27,221**	20,294
	28,420	26,841
Advance from related parties:		
— An associate	**338**	190
— Jointly controlled entities	**85,656**	11,399
	85,994	11,589

(e) Interest income

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interest received:		
— An associate	**4,721**	18,767
— Jointly controlled entities	**118**	533
	4,839	19,300

51 Related party transactions *(Continued)*

(f) Loans to related parties

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Jointly controlled entities:		
At 1 January	**1,181,756**	817,356
Loans advanced during year	**425,597**	389,400
Loans repayments received	**(576,020)**	(25,000)
Interest charged	**(118)**	(533)
Interest received	**118**	533
At 31 December	**1,031,333**	1,181,756
An associate:		
At 1 January	**479,224**	337,239
Loans advanced during year	**612,598**	484,344
Loans repayments received	**(474,231)**	(342,359)
Interest charged	**(4,721)**	(18,767)
Interest received	**4,721**	18,767
At 31 December	**617,591**	479,224

(g) Advances from related parties

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
A shareholder:		
At 1 January	**–**	1,724,493
Interest charged	**–**	247,545
Interest payments	**–**	(247,545)
Loans repayments	**–**	(1,724,493)
At 31 December	**–**	–

52 Events after the balance sheet date

On 7 February 2013, Sino Prosperity Holdings One ("Fund Holdco One", a wholly-owned subsidiary of the "KKR" fund) served a notice to Sino-Ocean Land (Hong Kong) Limited ("SOL HK", a wholly-owned subsidiary of the Group) to exercise the Exit Right by requesting SOL HK to buy back 49% equity interest in Great Wise Investment Ltd. ("Great Wise", a subsidiary of the Group) and the relevant portion of outstanding loan advanced to Great Wise by Fund Holdco One at a price of USD103,318,000. The transaction was completed on 8 March 2013.

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