Vanke Real Estate (Hong Kong) Company Limited
萬科地産(香港)有限公司

Annual report
for the year ended 31 December 2014

Report of the directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal place of business

Vanke Real Estate (Hong Kong) Company Limited ("the Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 55/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong.

Principal activity

The principal activity of the Company is investment holding.

Financial statements

The profit of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 5 to 68.

Transfers to reserves

Profit attributable to shareholders of RMB1,364 million (2013: RMB1,240 million) have been transferred to reserves.

The directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2014 (2013: Nil). Other movements in reserves are set out in the consolidated statement of changes in equity.

Property, plant and equipment

Details of these acquisitions and other movements in property, plant and equipment are set out in note 13 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 29(c) to the financial statements. These movements include the automatic inclusion of the amount standing to the share premium account in share capital as from 3 March 2014 in accordance with section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), as part of the transition to the no-par value regime.

Directors

The directors during the financial year were:

Mr. Wang Wenjin
Ms. Que Dongwu
Mr. Chan Chi Yu

There being no provision in the Company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

At no time during the year was the Company, or any of its holding company, fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

No contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board,

Director

Hong Kong, 29 MAY 2015

Independent auditor's report to the shareholders of Vanke Real Estate (Hong Kong) Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Vanke Real Estate (Hong Kong) Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 5 to 68, which comprise the consolidated and the company statement of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 International Financial Reporting Standards issued by the International Accounting Standards Board, 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's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), 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.

Independent auditor's report to the shareholders of Vanke Real Estate (Hong Kong) Company Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibility (continued)

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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 MAY 2015

Consolidated statement of profit or loss for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	Note	*2014* RMB'million	*2013* RMB'million
Revenue	4	7,091	7,738
Cost of sales		(5,492)	(5,758)
Gross profit		1,599	1,980
Other revenue	5	250	24
Other net income	6	28	14
Distribution costs		(265)	(247)
Administrative expenses		(88)	(119)
Other operating expenses	7	(9)	(7)
Profit from operations		1,515	1,645
Finance costs	8(a)	(312)	(187)
Share of profits less losses of associates	16	607	343
Share of profits less losses of joint ventures	17	75	26
Profit before taxation		1,885	1,827
Income tax	9(a)	(521)	(587)
Profit for the year		1,364	1,240
Attributable to:			
Equity shareholders of the Company		1,051	865
Non-controlling interests		313	375
Profit for the year		1,364	1,240

The accompanying notes form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	Note	*2014* RMB'million	*2013* RMB'million
Profit for the year		1,364	1,240
Other comprehensive income for the year	12		
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge: net movement in the hedging reserve		43	-
Exchange differences on translation of financial statements of non-mainland China operations		(12)	(25)
Other comprehensive income for the year		31	(25)
Total comprehensive income for the year		1,395	1,215
Attributable to:			
Equity shareholders of the Company		1,082	840
Non-controlling interests		313	375
Total comprehensive income for the year		1,395	1,215

The accompanying notes form part of these financial statements.

Consolidated statement of financial position at 31 December 2014

(Expressed in Renminbi Yuan)

	Note	*2014* RMB'million	*2013* RMB'million
Non-current assets			
Property, plant and equipment	13	355	281
Investment properties	14	15	16
Interest in associates	16	1,943	1,523
Interest in joint ventures	17	900	332
Other non-current assets	18	7,167	5,816
Deferred tax assets	28(b)	319	308
		10,699	8,276
Current assets			
Inventories	19	18,306	19,620
Prepaid tax	20	429	287
Trade and other receivables	21	14,523	11,724
Pledged deposites	22	27	47
Cash and cash equivalents	23	2,736	5,710
		36,021	37,388
Current liabilities			
Bank loans	24	127	-
Trade and other payables	25	21,267	23,617
Current taxation	28(a)	375	574
		21,769	24,191
Net current assets		14,252	13,197
Total assets less current liabilities		24,951	21,473

Consolidated statement of financial position at 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

	Note	*2014* RMB'million	*2013* RMB'million
Non-current liabilities			
Bank loans	24	2,139	2,289
Bonds payable	26	9,867	7,435
Deferred tax liabilities	28(b)	48	27
		12,054	9,751
NET ASSETS		12,897	11,722
CAPITAL AND RESERVES	29		
Share capital		17	17
Reserves		9,045	8,151
Total equity attributable to equity shareholders of the Company		9,062	8,168
Non-controlling interests		3,835	3,554
TOTAL EQUITY		12,897	11,722

Approved and authorised for issue by the board of directors on 29 MAY 2015

Director

Director

The accompanying notes form part of these financial statements.

Statement of financial position at 31 December 2014

(Expressed in Renminbi Yuan)

	Note	*31 December 2014* RMB' million	*31 December 2013* RMB' million (Restated) (note 2(b)(ii))	*1 January 2013* RMB' million (Restated) (note 2(b)(ii))
Non-current assets				
Interest in subsidiaries	15	5,741	4,146	2,960
Interest in associates	16	96	96	96
Other non-current asstes	18	7,167	5,816	-
		13,004	10,058	3,056
Current assets				
Trade and other receivables	21	865	39	613
Cash and cash equivalents	23	1,289	1,567	136
		2,154	1,606	749
Current liabilities				
Trade and other payables	25	1,110	859	868
Bank loans and overdrafts		-	-	647
		1,110	859	1,515
Net current assets/(liabilities)		1,044	747	(766)
Total assets less current liabilities		14,048	10,805	2,290
Non-current liabilities				
Amounts due to subsidiaries	27	13,814	10,553	1,940
		13,814	10,553	1,940
NET ASSETS		234	252	350

Statement of financial position at 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

	Note	*31 December 2014* RMB' million	*31 December 2013* RMB' million (Restated) (note 2(b)(ii))	*1 January 2013* RMB' million (Restated) (note 2(b)(ii))
CAPITAL AND RESERVES	29			
Share capital		17	17	17
Reserves		217	235	333
TOTAL EQUITY		234	252	350

Approved and authorised for issue by the board of directors on 29 MAY 2015

Director

Director

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity year ended 31 December 2014

(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	*Share capital* RMB'million	*Statutory reserves* RMB'million	*Exchange reserve* RMB'million	*Capital contribution reserve* RMB'million	*Other reserves* RMB'million	*Retained profits* RMB'million	*Total* RMB'million	*Non-controlling interests* RMB'million	*Total equity* RMB'million
Balance at 1 January 2013		17	272	309	839	(45)	5,936	7,328	2,240	9,568
Changes in equity for 2013:										
Profit for the year		-	-	-	-	-	865	865	375	1,240
Other comprehensive income	12	-	-	(25)	-	-	-	(25)	-	(25)
Total comprehensive income		-	-	(25)	-	-	865	840	375	1,215
Appropriation to statutory reserves	29(d)	-	147	-	-	-	(147)	-	-	-
Capital contributions from non-controlling interests		-	-	-	-	-	-	-	1,010	1,010
Dividends declared to non-controlling interests		-	-	-	-	-	-	-	(71)	(71)
Balance at 31 December 2013		17	419	284	839	(45)	6,654	8,168	3,554	11,722

Consolidated statement of changes in equity year ended 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	*Share capital* RMB'million	*Statutory reserves* RMB'million	*Exchange reserve* RMB'million	*Capital contribution reserves* RMB'million	*Other reserves* RMB'million	*Hedging reserve* RMB'million	*Retained profits* RMB'million	*Total* RMB'million	*Non-controlling interests* RMB'million	*Total equity* RMB'million
Balance at 1 January 2014		17	419	284	839	(45)	-	6,654	8,168	3,554	11,722
Changes in equity for 2014:											
Profit for the year		-	-	-	-	-	-	1,051	1,051	313	1,364
Other comprehensive income	12	-	-	(12)	-	-	43	-	31	-	31
Total comprehensive income		-	-	(12)	-	-	43	1,051	1,082	313	1,395
Appropriation to statutory reserves	29(d)	-	42	-	-	-	-	(42)	-	-	-
Acquisitions of additional interest in subsidiaries		-	-	-	(179)	-	-	-	(179)	(44)	(223)
Disposals of interest in subsidiaries		-	-	-	1	-	-	-	1	36	37
Disposal of a subsidiary		-	-	-	(10)	-	-	-	(10)	(5)	(15)
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	227	227
Capital return to non-controlling interests		-	-	-	-	-	-	-	-	(188)	(188)
Dividends declared to non-controlling interests		-	-	-	-	-	-	-	-	(58)	(58)
Balance at 31 December 2014		17	461	272	651	(45)	43	7,663	9,062	3,835	12,897

The accompanying notes form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2014

(Expressed in Renminbi Yuan)

	Note	*2014* RMB'million	*2013* RMB'million
Operating activities			
Profit before taxation		1,885	1,827
Adjustments for:			
- Depreciation and amortisation		8	5
- Impairment loss on trade and other receivables		4	1
- Net realised and unrealised (gain)/loss on financial derivatives		(11)	1
- Finance costs less interest income		62	163
- Loss on disposal of financial derivatives		12	-
- Share of profits less losses of associates		(607)	(343)
- Share of profits less losses of joint ventures		(75)	(26)
- Exchange (gain)/loss		(8)	11
Changes in working capital:			
- Decrease/(increase) in inventories		1,481	(2,521)
- Increase in amount due from ultimate holding company		(12)	(1,109)
- (Increase)/decrease in amounts due from fellow subsidiaries, associates and joint ventures		(1,697)	645
- Increase in trade and other debtors and prepayments		(350)	(91)
- Increase in trade and other payables		992	1,569
- (Decrease)/increase in amount due to ultimate holding company		(3,611)	2,739
- Increase/(decrease) in amounts due to fellow subsidiaries, associates and joint ventures		300	(274)
Cash (used in)/generated from operations		(1,627)	2,597
Current tax paid		(982)	(519)
Net cash (used in)/generated from operating activities		(2,609)	2,078

Consolidated cash flow statement for the year ended 31 December 2014 (continued)

(Expressed in Renminbi Yuan)

	Note	*2014* RMB'million	*2013* RMB'million
Investing activities			
Investments in associates and joint ventures		(712)	(468)
Acquisitions of additional interest in subsidiaries		(223)	-
Advances to fellow subsidiaries		(1,321)	(5,519)
Payment for acquisition of property, plant and equipment and investment properties		(32)	(83)
Proceeds from disposal of property, plant and equipment		-	1
Proceeds from disposals of investments in associates		25	95
Interest received		25	24
Dividends received		-	174
Net cash used in investing activities		(2,238)	(5,776)
Financing activities			
Capital contributions from non-controlling interests of subsidiaries		227	753
Capital return to non-controlling interests		(188)	-
Proceeds from bank loans and issurance of bonds		2,433	9,766
Repayment of loans and borrowings		(23)	(2,791)
Interest paid		(521)	(445)
Dividends paid to non-controlling interesets		(58)	(9)
Net cash generated from financing activities		1,870	7,274
Net (decrease)/increase in cash and cash equivalents		(2,977)	3,576
Cash and cash equivalents at 1 January		5,710	2,149
Effect of foreign exchange rate changes		3	(15)
Cash and cash equivalents at 31 December		2,736	5,710

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Reporting entity

Vanke Real Estate (Hong Kong) Company Limited ("the Company") is a company domiciled in Hong Kong. The consolidated financial statements of the Company for the year ended 31 December 2014 comprise the Company and its subsidiaries (together "the Group") and the Group's interests in associates and joint ventures. The Group's principal activities are development and sale of properties in the People's Republic of China ("PRC").

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). As Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The equivalent new and revised HKFRSs consequently issued by HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

(i) Measurement basis

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the derivative financial instruments are stated at their fair value as explained in the accounting policy in note 2(g).

The preparation of financial statements in conformity with IFRSs and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs and HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(ii) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In prior years, the Company regarded Hong Kong Dollar ("HKD") as its functional currency. However, as a result of the Company's majority external and intercompany financing in RMB, the director considered that the Company's major business transactions in terms of investing and financing activities have increasingly placed greater reliance on RMB. As such, effective from 1 January 2014, the Company has changed its functional currency from HKD to RMB.

The change in functional currency of the Company was applied prospectively from date of change in accordance with IAS/HKAS 21, *The effect of changes in foreign exchange rate*. On the date of the change of functional currency, all assets, liabilities, issued capital and other components of equity and profit or loss items were translated into RMB at the exchange rate on that date.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

(ii) Functional and presentation currency (continued)

In addition, as a result of the change in functional currency of the Company, comparative information as at 31 December 2013 and for the year ended 31 December 2013 has been re-presented, by translating the original comparatives in HKD (which was the functional currency during 2013) into RMB at the exchange rate as at 1 January 2014. In other words, the Company has used the same RMB amounts determined under the new functional currency as at 1 January 2014, consistent with reflecting the change in functional currency of the Company prospectively from that date.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. The equivalent amendments to HKFRSs and new Interpretation, consequently issued by HKICPA as a result of these developments, have the same effective date as those issued by the IASB and are in all material respects identical to the pronouncements issued by the IASB.

- Amendments to IFRS/HKFRS 10, IFRS/HKFRS 12 and IAS/HKAS 27, *Investment entities*
- Amendments to IAS/HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC/HK(IFRIC) 21, *Levies*

Impacts of the adoption of other new or amended IFRSs/HKFRSs are discussed below:

Amendments to IFRS/HKFRS 10, IFRS/HKFRS 12 and IAS/HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS/HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Group does not qualify to be an investment entity.

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

Amendments to IAS/HKAS 39, ***Novation of derivatives and continuation of hedge accounting***

The amendments to IAS/HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

IFRIC/HK(IFRIC) 21, ***Levies***

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interest, proportionate share of the subsidiary's net identifiable assets.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) or 2(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(f)).

(e) Business comnination under common control

The assets and liabilities acquired through business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are recognised at the carrying amounts recognised previously in the Group controlling shareholders' consolidated financial statements from the date of acquisition.

Any difference between the consideration and the book value of the assets and liabilities acquired or disposed of is recognised directly in equity.

(f) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

2 Significant accounting policies (continued)

(f) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale included in a disposal group that is classified as held for sale.

2 Significant accounting policies (continued)

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Investment property

Investment properties are buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is calculate to write off the costs of investment properties using the straight-line method over their estimated useful lives of 40 years. Both the useful life and residual value, if any, are reviewed annually.

(i) Property, plant and equipment

The following items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss (see note 2(k)):

- buildings held for own use which are situated on leasehold land classified as held under operating lease (see note 2(j)); and

- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Residual value	*Useful life*
Leasehold land	0%	unexpired term of lease
Hotel and other buildings	4%	the shorter of the unexpired term of lease and 25 years
Improvements to premises	0%	5-10 years
Machinery and motor vehicles	4%	5-10 years
Other equipment	4%	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is held for development for sale (see note 2(l)).

2 Significant accounting policies (continued)

(k) Impairment of assets

(i) Impairment of investments in associates and joint ventures and other receivables

Investments in associates and joint ventures and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures (accounted for under the equity method in the consolidated financial statements (see note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in associates and joint ventures and other receivables (continued)

- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated, to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Property held for development and property under development

  The cost of properties held for development and properties under development comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2 Significant accounting policies (continued)

(l) Inventories (continued)

- Completed property for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 Significant accounting policies (continued)

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

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

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria is adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (continued)

(r) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties is recognised upon the signing of the sale and purchase agreement and the receipt of the deposits pursuant to the sale and purchase agreement or the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreement, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are presented as "Receipts in advance" under "Trade and other payables".

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Provision of services

Revenue from services is recognised when services are rendered.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 Significant accounting policies (continued)

(u) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a operation with functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group.

2 Significant accounting policies (continued)

(w) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Accounting judgement and estimates

Note 30 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Properties for sale

As explained in note 2(l), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in cases for properties held for development and properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

3 Accounting judgement and estimates (continued)

(i) Properties for sale (continued)

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer creditworthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(iii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(iv) LAT

As explained in note 9(a), LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in estimates would affect profit or loss in future years.

4 Revenue

The principal activities of the Group are development and sale of properties in the PRC.

Revenue mainly represents income from sale of properties net of business tax and other sales related taxes and discounts allowed.

	2014 RMB'million	*2013* RMB'million
Sale of properties	7,064	7,724
Others	27	14
	7,091	7,738

5 Other revenue

	2014 RMB'million	*2013* RMB'million
Interest income from ultimate holding company	7	11
Interest income from a fellow subsidiary	225	-
Interest income from banks	18	13
	250	24

6 Other net income

	2014 RMB'million	*2013* RMB'million
Forfeited deposits and compensation from customers	3	2
Net realised and unrealised gain/(loss) on financial derivatives	11	(1)
Net exchange gain/(loss)	11	(11)
Other sundry income	3	24
	28	14

7 Other operating expenses

	2014 RMB'million	*2013* RMB'million
Provision for doubtful debts	4	1
Other sundry expenses	5	6
	9	7

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) *Finance costs*

	2014 RMB'million	*2013* RMB'million
Interest expense to ultimate holding company	170	233
Interest expense to associates and joint ventures	9	-
Interest expense to banks	352	209
	531	442
Less: Interest expense capitalised as inventories (note)	(226)	(258)
	305	184
Other finance costs	7	3
	312	187

Note: The borrowing costs have been capitalised at a rate of 4.84% per annum (2013: 7.11%).

(b) *Staff costs*

	2014 RMB'million	*2013* RMB'million
Salaries, wages and other benefits	56	44
Contribution to defined contribution retirement plan	6	4
	62	48

8 Profit before taxation (continued)

(b) Staff costs (continued)

Contribution to defined contribution retirement plan

The Company and subsidiaries of the Group in Mainland China participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities, whereby the Company and the mainland China subsidiaries are required to make contribution at the rate required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

(c) Other items

	2014 RMB'million	*2013* RMB'million
Depreciation and amortisation	8	5
Impairment loss on trade and other receivables	4	1
Cost of inventories*	5,492	5,758
Operating lease charges in respect of properties	6	5
Management fee paid to ultimate holding company	117	47
Auditor's remuneration	1	1

* Cost of inventories contain previously capitalised interest expenses of RMB129 million (2013: RMB120 million) which was released to profit or loss in the current year.

9 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 RMB'million	*2013* RMB'million
Current tax		
Provision for CIT	283	409
Provision for LAT	218	217
Withholding tax	10	9
	511	635
Deferred tax		
Origination and reversal of temporary differences (note 28(b))	10	(48)
	521	587

(i) CIT and Hong Kong Profit Tax

The provision for CIT is calculated based on the estimated taxable income at the rates applicable to each company in the Group. The income tax rates applicable to the principal subsidiaries in the PRC are 25% (2013: 25%).

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year.

(ii) LAT

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

(iii) Withholding tax

Withholding tax is levied on the Hong Kong entities in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 ranging from 5% to 10%.

9 Income tax in the consolidated statement of profit or loss (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 RMB'million	*2013* RMB'million
Profit before taxation	1,885	1,827
Less: LAT	(218)	(217)
Profit before CIT	1,667	1,610
Notional tax on profit before CIT calculated at effective income tax rate of the relevant Group entities concerned	417	402
Non-taxable income	(171)	(90)
Non-deductible expenses	7	29
Withholding tax	31	9
Effect of temporary difference not recognised	19	20
CIT	303	370
LAT	218	217
Income tax expense	521	587

10 Directors' remuneration

During the years ended 31 December 2014 and 2013, no amounts have been paid in respect of directors' remunerations, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

11 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB61 million (2013: RMB98 million) which has been dealt with in the financial statements of the Company.

12 Other comprehensive income

There is no tax effect relating to component of the other comprehensive income for the year.

13 Property, plant and equipment

	Buildings held for own use RMB'million	*Improvements to premises* RMB'million	*Leasehold land prepayment* RMB'million	*Machinery and motor vehicles* RMB'million	*Electronic and other equipment* RMB'million	*Construction in progress* RMB'million	*Total* RMB'million
Cost:							
At 1 January 2013	57	5	62	5	27	124	280
Additions	-	-	1	-	3	61	65
Disposals	-	-	-	(1)	-	-	(1)
At 31 December 2013	57	5	63	4	30	185	344
At 1 January 2014	57	5	63	4	30	185	344
Additions	185	81	-	1	1	(185)	83
Disposals	(1)	-	-	-	-	-	(1)
At 31 December 2014	241	86	63	5	31	-	426

13 Property, plant and equipment (continued)

	Buildings held for own use RMB'million	*Improvements to premises* RMB'million	*Leasehold land prepayment* RMB'million	*Machinery and motor vehicles* RMB'million	*Electronic and other equipment* RMB'million	*Construction in progress* RMB'million	*Total* RMB'million
Accumulated depreciation:							
At 1 January 2013	29	5	2	4	18	-	58
Charge for the year	2	-	1	-	2	-	5
At 31 December 2013	31	5	3	4	20	-	63
At 1 January 2014	31	5	3	4	20	-	63
Charge for the year	5	2	-	-	1	-	8
At 31 December 2014	36	7	3	4	21	-	71
Net book value:							
At 31 December 2014	205	79	60	1	10	-	355
At 31 December 2013	26	-	60	-	10	185	281

14 Investment properties

	Group	
	2014	*2013*
	RMB'million	RMB'million
Cost:		
At 1 January	16	-
Transfer from inventories	-	16
At 31 December	16	16
Accumulated depreciation:		
At 1 January	-	-
Charge for the year	1	-
At 31 December	1	-
Net book value:		
At 31 December	15	16

All investment properties at the end of the reporting period are completed.

Investment properties represent commercial properties that are leased to third parties. The directors, having regard to recent market transactions of similar properties in the same location as the Group's investment properties, consider the estimated fair value of the investment properties, together with leasehold land on which the investment properties located as set out in note 18, to be RMB 18 million (2013: RMB 18 million).

The fair value of investment properties is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value of the investment properties measured at the end of the reporting period is categorised into Level 3 valuations: Fair value measured using significant unobservable inputs, as defined in IFRS 13, Fair value measurement.

The analysis of net book value of investment properties is set out as follows:

	2014	*2013*
	RMB'million	RMB'million
In the PRC, held on leases of		
- Medium	15	16

15 Investment in subsidiaries

	2014 RMB'million	*2013* RMB'million
Unlisted investment, at cost	607	119
Amounts due from subsidiaries	5,134	4,027
	5,741	4,146

Amounts due from subsidiaries are unsecured and have no fixed term of repayment. Other than amounts due from subsidiaries of RMB4,374 million (2013:Nil) which bear interest at market rate ranging from 3.25% to 3.55% per annum, the amounts are interest-free.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	*Place of incorporation and operation*	*Particulars of issued/ paid up capital*	*Proportion of ownership interest*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
Advance Path Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Ample Gain Capital Limited	Hong Kong	1,000 shares	100%	100%	-	Investment holding
Ascent Win Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Best Cheer Investment Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Bestgain Finance Limited	British Virgin Islands	USD100	100%	-	100%	Investment holding
Bestgain Real Estate Limited	British Virgin Islands	USD1	100%	100%	-	Investment holding
Bestgain Real Estate Lyra Limited	British Virgin Islands	USD1	100%	100%	-	Investment holding
Bloom Gain Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Charm Pacific Limited	Hong Kong	100 shares	100%	100%	-	Investment holding
City Choice Ltd	Hong Kong	10,000 shares	100%	100%	-	Investment holding
Citi Victory Limited	Hong Kong	1,000 shares	100%	100%	-	Investment holding
Double Falcon Limited	Hong Kong	1,000 shares	100%	100%	-	Investment holding
Dreamtown Limite	Hong Kong	100 shares	100%	-	100%	Investment holding
Excel Guardian Limited	Hong Kong	1 share	100%	100%	-	Investment holding
East Crest Limited(note(a))	Hong Kong	1 share	100%	-	100%	Investment holding
East Mind Limited(note(a))	Hong Kong	1 share	100%	-	100%	Investment holding
Mainlanden Nine Company Limited(note(a))	British Virgin Islands	USD1	100%	-	100%	Investment holding
Fohill Limited	Hong Kong	100 shares	100%	100%	-	Investment holding
Hamuel Limited	Hong Kong	1,000 shares	100%	100%	-	Investment holding

15 Investment in subsidiaries (continued)

Name of Company	*Place of incorporation and operation*	*Particulars of issued/ paid up capital*	*Proportion of ownership interest*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
Hopewin Investments Limited	Hong Kong	100 shares	100%	-	100%	Investment holding
Keen Park Limited(note(a))	Hong Kong	1 share	100%	-	100%	Investment holding
Kind Cheerful Limited(note(a))	Hong Kong	1 share	100%	-	100%	Investment holding
Power Great Investments Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Main Full Limited(note(a))	Hong Kong	1 share	100%	-	100%	Investment holding
Mainlanden I Company Limited	British Virgin Islands	USD1	100%	-	100%	Investment holding
Mainlanden II Company Limited	British Virgin Islands	USD1	100%	-	100%	Investment holding
Mainlanden III Company Limited	British Virgin Islands	USD1	100%	-	100%	Investment holding
Mainlanden IV Company Limited	British Virgin Islands	USD1	100%	-	100%	Investment holding
Mainlanden V Company Limited	Hong Kong	1 share	100%	-	100%	Investment holding
Mainlanden SIX Company Limited	Hong Kong	1 share	100%	-	100%	Investment holding
Mainlanden Seven Company Limited(note(a))	Hong Kong	1 share	100%	-	100%	Investment holding
Mainlanden Eight Company Limited(note(a))	British Virgin Islands	USD1	100%	-	100%	Investment holding
Massive Growth Limited	Hong Kong	10,000 shares	100%	100%	-	Investment holding
Minya Konka Investments Limited	Hong Kong	990,000 shares	100%	-	100%	Investment holding
Ocean Rainbow Limited(note(a))	Hong Kong	1 share	100%	-	100%	Investment holding
Star Top Development Limited	Hong Kong	1 share	100%	-	100%	Investment holding
Top Services Limited	Hong Kong	1,000 shares	100%	-	100%	Investment holding
Top Access Limited	Hong Kong	1 share	100%	-	100%	Investment holding
Target Link Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Tander China Investment Company Limited	Hong Kong	1 share	100%	100%	-	Investment holding
Vanke China Investments Company Limited	Hong Kong	50,000 shares	100%	-	100%	Investment holding
Vancity Limited	Hong Kong	100 shares	100%	100%	-	Investment holding
World City International Inc	British Virgin Islands	HKD5,000	54.2%	54.2%	-	Investment holding
Win Genius Limited	Hong Kong	1 share	100%	-	100%	Investment holding
天津万滨房地产开发有限公司 (Tianjin Wanbin Real Estate Development Company Limited*)	Tianjin	RMB455,000,000	51%	-	51%	Property development
天津万福投资有限公司 (Tianjin Wanfu Investment Company Limited*)	Tianjin	RMB192,000,000	85%	-	85%	Property development

15 Investment in subsidiaries (continued)

Name of Company	*Place of incorporation and operation*	*Particulars of issued/ paid up capital*	*Proportion of ownership interest* *Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
天津万科疆建置业投资有限公司 (Tianjin Vanke Jiangjian Property Investment Company Limited*)	Tianjin	RMB100,000,000	43% (note(b))	-	43% (note(b))	Property development
天津万科空港置业有限公司 (Tianjin Vanke Konggang Property Company Limited*)	Tianjin	RMB110,000,000	43% (note(b))	-	43% (note(b))	Property development
天津兴海房地产开发有限公司 (Tianjin Xinghai Real Estate Development Company Limited*)	Tianjin	RMB15,000,000	47% (note(b))	-	47% (note(b))	Property development
天津万筑投资有限公司 (Tianjin Wanzhu Investment Company Limited*)	Tianjin	RMB30,000,000	85%	-	85%	Property development
天津中天万方投资有限公司 (Tianjin Zhongtian Wanfang Investment Company Limited*)	Tianjin	RMB30,000,000	85%	-	85%	Property development
天津万泰时尚置业有限责任公司 (Tianjin Wantai Fashion Property Company Limited*)	Tianjin	RMB200,000,000	85%	-	85%	Property development
天津万港投资有限公司 (Tianjin Wangang Investment Company Limited*)	Tianjin	RMB50,000,000	43% (note(b))	-	43% (note(b))	Property development
天津万商地产投资有限公司 Tianjin Wanshang Real Estate Investment Company Limited	Tianjin	RMB500,000,000	43% (note(b))	-	43% (note(b))	Property development
武汉万科天润房地产有限公司 (Wuhan Vanke Tianrun Real Estate Company Limited*)	Wuhan	USD57,600,000	80%	-	80%	Property development
武汉万科万威房地产开发有限公司 (Wuhan Vanke Wangwei Real Estate Development Company Limited*)	Wuhan	USD70,000,000	85%	-	85%	Property development
无锡东城房地产有限公司 (Wuxi Dongcheng Real Estate Company Limited*)	Wuxi	USD149,400,000	85%	-	85%	Property development
无锡万胜房地产开发有限公司 (Wuxi Wansheng Real Estate Development Company Limited*)	Wuxi	USD49,200,000	94%	-	94%	Property development
天津滨海时尚置业有限公司 (Tianjin Binhai Fashion property Company Limited*)	Tianjin	RMB160,000,000	85%	-	94%	Property development

15 Investment in subsidiaries (continued)

Name of Company	*Place of incorporation and operation*	*Particulars of issued/ paid up capital*	*Proportion of ownership interest* — *Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
天津万为置业投资有限公司 (Tianjin Wan wei Property Investment Company Limited*)	Tianjin	RMB50,000,000	43% (note(b))	-	43% (note(b))	Property development
天津万科投资有限公司 (Tianjin Vanke Investment Company Limited*)	Tianjin	RMB30,000,000	85%	-	85%	Property development
天津万城置业有限公司 (Tianjin Wancheng Property Company Limited*)	Tianjin	RMB100,000,000	68%	-	68%	Property development
天津君恒投资有限公司 (Tianjin Junheng Investment Company Limited*)	Tianjin	RMB61,224,490	43% (note(b))	-	43% (note(b))	Property development
天津滨海天瑞投资有限公司 (Tianjin Binhai Tianrui Investment Company Limited*)	Tianjin	RMB61,224,490	43% (note(b))	-	43% (note(b))	Property development
惠州市万科房地产有限公司 (Huizhou Vanke Real Estate Company Limited*)	Huizhou	RMB57,100,000	80%	-	80%	Property development
深圳市浪骑游艇会有限公司 (Shenzhen Longcheer Yacht Club Company Limited*)	Hong Kong	10,000 shares	100%	-	100%	Investment holding
常州万科房地产有限公司 (Changzhou Vanke Real Estate Company Limited*)	Changzhou	RMB500,000,000	66%	-	66%	Property development
嘉兴万联房地产开发有限公司 (Jiaxing Wanlian Real Estate Development Company*)	Jiaxing	RMB150,000,000	60%	-	60%	Property development
青岛新都心置业有限公司 (Qingdao Xinduxin Property Company Limited*)	Qingdao	USD164,000,000	70%	-	70%	Property development
重庆林畔花园置业有限公司 (Chongqing Linpan Garden Propety Company Limited*)	Chongqing	USD 64,288,000	51%	-	51%	Property development
武汉万合兴投资管理有限公司 (Wuhan Wanhe Investment Management Company Limted*)	Wuhan	RMB30,000,000	100%	-	100%	Investment management
武汉名悦酒店管理有限公司 (Wuhan Mingyue Hotel Management Company Limited*)	Wuhan	RMB1,000,000	100%	-	100%	Hotel management

15 Investment in subsidiaries (continued)

Name of Company	*Place of incorporation and operation*	*Particulars of issued/ paid up capital*	*Proportion of ownership interest* Group's effective interest	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
上海库博投资管理有限公司 (note(a)) (Shanghai Kubo Investment Management Company Limited*)	Shanghai	RMB500,000,000	100%	100%	-	Investment management
杭州锦德投资有限公司 (note(a)) (Hangzhou Jinde Investment Company Limited*)	Hangzhou	USD30,000,000	100%	-	100%	Property development
嘉兴万城房地产开发有限公司(note(a)) (Jiaxing Wancheng Property Company Limited*)	Jiaxing	USD30,000,000	70%		70%	Property development

Notes:

(a) These entities are established during 2014.

(b) The directors consider these entities as subsidiaries of the Group as the Group is exposed, or has rights, to variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities.

* These entities are PRC limited liability companies. The English translation of the names are for reference only. The official names of the companies are in Chinese.

16 Interest in associates

	Group 2014 RMB'million	*Group* 2013 RMB'million	*Company* 2014 RMB'million	*Company* 2013 RMB'million
Unlisted shares, at cost	-	-	96	96
Share of net assets	1,943	1,523	-	-
	1,943	1,523	96	96

16 Interest in associates (continued)

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

Name of Company	*Place of incorporation and operation*	*Particulars of issued/ paid up capital*	*Proportion of ownership interest* Group's effective interest	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
鞍山万科房地产开发有限公司 (Anshan Vanke Real Estate Development Company Limited*)	Anshan	USD5,172,700	30%	-	30%	Property development
北京万科置业有限公司 (Beijing Vanke Property Company Limited*)	Beijing	USD18,400,000	25%	-	25%	Property development
重庆万永置业有限公司 (Chongqing Wanyong Property Company Limited*)	Chongqing	USD72,319,976	27.65%	-	27.65%	Property development
大连万科锦绣花城开发有限公司 (Dalian Vanke Jinxiuhuacheng Development Company Limited*)	Dalian	RMB70,000,000	25%	25%	-	Property development
大连万革房地产开发有限公司 (Dalian Wange Real Estate Development	Dalian	RMB8,000,000	25%	-	25%	Property development
东莞市万科房地产有限公司 (Dongguan Vanke Real Estate Company Limited*)	Dongguan	RMB300,000,000	20%	-	20%	Property development
佛山市万科置业有限公司 (Foshan Vanke Property Company Limited*)	Foshan	RMB20,000,000	20%	-	20%	Property development
南京富春东方房地产开发有限公司 (Nanjing Fuchun East Real Estate Development	Nanjing	USD2,000,000	21%	21%	-	Property development
青岛万科银盛泰置业有限公司 (Qingdao Vanke Yinshengtai Property Company Limited*)	Qingdao	RMB380,000,000	70%(note)	-	70%	Property development
沈阳万科永达房地产开发有限公司 (Shenyang Vanke Yongda Real Estate Development Company Limited*)	Shenyang	USD24,100,000	32%	-	32%	Property development
深圳万科置业有限公司 (Shenzhen Vanke Property Company Limited*)	Shenzhen	RMB80,000,000	25%	-	25%	Property development
深圳市万科南苑房地产开发有限公司 (Shenzhen Vanke Nanyuan Real Estate Development Company Limited*)	Shenzhen	RMB10,000,000	16%(note)	-	16%	Property development
深圳市万科都汇商业有限公司 (Shenzhen Vanke Duhui Business Company Limited*)	Shenzhen	RMB10,000,000	16%(note)	-	16%	Property development
天津万科新湖置业有限公司 (Tianjin Vanke Xinhu Property Company Limited*)	Tianjin	RMB17,000,000	25%	-	25%	Property development

16 Interest in associates (continued)

Name of Company	*Place of incorporation and operation*	*Particulars of issued/ paid up capital*	*Proportion of ownership interest* — *Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
无锡新万房地产有限公司 (Wuxi Xinwan Real Estate Company Limited*)	Wuxi	RMB126,000,000	42.5%	42.5%	-	Property development
中山市万科房地产有限公司 (Zhongshan Vanke Real Estate Company Limited*)	Zhongshan	USD12,000,000	25%	-	25%	Property development
青岛桃花源置业有限公司 (Qingdao Taohuayuan Property Company Limited*)	Qingdao	RMB300,000,000	70%(note)	-	70%	Property development

Note: The Group has significant influence over the management of those entities based on the composition of governing bodies on the financial and operating policy decisions of those entities.

* These entities are PRC limited liability companies. The English translation of the names are for reference only. The official names of the companies are in Chinese.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shenyang Vanke Yongda Real Estate Development Company Limited		*Shenzhen Vanke Property Company Limited (Group)*		*Qingdao Vanke Yinshengtai Property Company Limited*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Gross amounts of the associate's						
Current assets	1,752	2,144	40,334	40,304	726	374
Non-current assets	8	109	3,030	2,258	2	4
Current liabilities	(1,361)	(1,547)	(37,922)	(39,610)	(353)	-
Equity	399	706	5,442	2,952	375	378
Revenue	1,021	852	14,111	10,196	-	-
Profit/(loss) and total comprehensive income that attributable to shareholders for the year	69	34	2,280	1,160	(3)	(1)
Dividend received from the associate	(120)	-	(288)	(139)	-	-
Reconciled to the Group's interest in the associate						
Gross amounts of net assets attributable to shareholders of the associate	399	706	3,524	2,387	375	378
Group's effective interest	32%	32%	25%	25%	70%	70%
Group's share of net assets of the associate and carrying amount in the consolidated financial statements	128	226	881	597	264	265
Reconciled to the Group's share of profits/(loss) of the associate						
Profit/(loss) and total comprehensive income that attributable to shareholders for the year	69	34	2,280	1,160	(3)	(1)
Group's effective interest	32%	32%	25%	25%	32%	70%
Group's share of profits less losses of associates	22	11	570	290	(1)	(1)

16 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2014 RMB'million	*2013* RMB'million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	670	435
Aggregate amounts of the Group's share of those associates profit and total comprehensive income for the year	16	43

17 Interest in joint ventures

	Group	
	2014 RMB'million	*2013* RMB'million
Share of net assets	900	332

The following list contains only the particulars of joint ventures, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

			Proportion of ownership interest			
Name of Company	*Place of incorporation and operation*	*Particulars of issued and paid up capital*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
天津市迪万投资有限公司 (Tianjin Diwan Investment Company Limited*)	PRC	RMB39,215,700	40%	-	40%	Property development
天津松科房地产有限公司 (Tianjin Songke Real Estate Company Limited*)	PRC	RMB30,000,000	49%	-	49%	Property development
Sun Sky Asia Limited	British Virgin Islands	-	28.36%	-	28.36%	Property development
杭州锦康置业有限公司 (Hangzhou JinKang Property Company Limited*)	PRC	USD150,000,000	40%	-	40%	Property development

* These entities are PRC limited liability companies. The English translation of the names are for reference only. The official names of the companies are in Chinese.

17 Interest in joint ventures (continued)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Tianjin Diwan Investment Company Limited		*Tianjin Songke Real Estate Company Limited*		*Sun Sky Asia Limited*		*Hangzhou Jinkang Property Company Limited*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'Million*	*RMB'Million*
Gross amounts of the joint venture's								
Current assets	456	1,043	371	420	816	782	1,929	-
Non-current assets	14	2	6	2	-	-	4	
Current liabilities	(166)	(957)	(192)	(224)	(111)	(77)	(713)	-
Equity	304	88	185	198	705	705	1,220	-
Included in the above assets and liabilities								
Cash and cash equivalents	180	207	50	5	44	-	27	-
Revenue	1,231	303	47	256	-	-	-	-
Profit/(loss) and total comprehensive income for the year	216	63	(13)	2	-	-	(11)	-
Reconciled to the Group's interest in the joint venture								
Gross amounts of net assets of the joint venture	304	88	185	198	705	705	1,220	-
Group's effective interest	40%	40%	49%	49%	28.36%	28.36%	40%	-
Group's share of net assets of the joint venture and carrying amount in the consolidated financial statements	122	35	90	97	200	200	488	-
Reconciled to the Group's share of profits/(loss) of the joint venture								
Profit/(loss) and total comprehensive income for the year	216	63	(13)	2	-	-	(11)	-
Group's effective interest	40%	40%	49%	49%	28.36%	28.36%	40%	-
Group's share of profits less losses of joint ventures	86	25	(6)	1	-	-	(5)	-

18 Other non-current assets

	Group and Company	
	2014	*2013*
	RMB'million	RMB'million
Amounts due from fellow subsidiaries (note (a))	7,135	5,814
Prepayment for leasehold land (note (b))	2	2
Derivative financial instruments (note (c))	30	-
	7,167	5,816

Note

(a) Amounts due from fellow subsidiaries are unsecured and have not fixed terms of repayment but are not expected to be recovered within one year. Other than amount due from a fellow subsidiary of RMB6,043 million (2013: Nil) which bears interest at market rate ranging from 3.25%to 3.55%, the amount is interest free.

(b) The balance represents payment for leashold land on which investment properties of the Group located.

(c) The amount represented the fair value of non-deliverable forward contracts ("NDF contracts") entered into by the Group for hedging purpose.

The notional amount of outstanding NDF contracts as at 31 December 2014 was RMB1,683 million (2013: Nil). As at 31 December 2014, the forward exchange rates RMB against the US dollar under NDF contracts ranging from 6.2655 to 6.3160. The effective portion of gains and losses on NDF contracts qualifying for hedge accounting as at 31 December 2014 were recognised in the other comprehensive income and accounted for separately in equity in hedging reserve.

19 Inventories

	Group	
	2014	*2013*
	RMB'million	RMB'million
Properties held for development	5,952	8,628
Properties under development	10,685	9,715
Completed properties for sale	1,633	1,247
Others	36	30
	18,306	19,620

19 Inventories (continued)

(a) *The analysis of carrying value of leasehold land held for property development for sale is as follows:*

	Group	
	2014	*2013*
	RMB'million	RMB'million
In the PRC, held on lease of		
- Between 10 and 50 years	1,538	728
- Over 50 years	11,038	11,797
	12,576	12,525

(b) *The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:*

	Group	
	2014	*2013*
	RMB'million	RMB'million
Carrying amount of inventories sold	5,492	5,765
Reversal of write-down of inventories	-	(7)
	5,492	5,758

The amount of properties held for development and properties under development expected to be recovered after more than one year is RMB8,098 million (2013: RMB8,034 million). All of the other inventories are expected to be recovered within one year.

20 Prepaid tax

	Group	
	2014	*2013*
	RMB'million	RMB'million
CIT	216	162
LAT	213	125
	429	287

21 Trade and other receivables

	Group		Company	
	2014	*2013*	*2014*	*2013*
	RMB' million	RMB' million	RMB' million	RMB' million
Trade debtors (note (a))	45	100	-	-
Less: allowance for doubtful debts	(2)	(3)	-	-
	43	97	-	-
Other debtors	2,516	1,624	2	39
Amounts due from fellow subsidiaries, associates and joint ventures (note (b))	7,510	5,607	525	-
Amount due from ultimate holding company (note (c))	3,957	3,945	338	-
Prepayments	497	451	-	-
	14,523	11,724	865	39

All of the trade and other receivables are expected to be recovered within one year.

(a) As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date the trade debtors recognised and net of allowance for doubtful debts, is as follows:

	Group	
	2014	*2013*
	RMB'million	RMB'million
Within 1 year	38	96
Over 1 year	5	1
	43	97

The Group's credit policy is set out in note 30(a).

As at 31 December 2014, no significant trade debtors have been past due (2013: Nil).

(b) The amounts due from fellow subsidiaries, associates and joint ventures are unsecured, interest free and repayable on demand.

(c) The amount due from ultimate holding company is interest bearing at market rate, unsecured and repayable on demand.

22 Pledged deposits

The balance mainly represents the guarantee deposits in respect of mortgage loans related to property sale.

23 Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period are analysed as follows:

	Group		Company	
	2014	*2013*	*2014*	*2013*
	RMB'million	RMB'million	RMB'million	RMB'million
Cash at bank and on hand	2,736	5,710	1,289	1,567

24 Bank loans

This note provides information about the contractual terms of the Group's bank loans. For more information about the Group's exposure to interest rate risk, please refer to note 30 (c).

	Group	
	2014	*2013*
	RMB'million	RMB'million
Current		
- Unsecured bank loans	127	-
Non-current		
- Unsecured bank loans	2,139	2,289
	2,266	2,289

At 31 December, non-current interest-bearing borrowings were repayable as follows:

	Group	
	2014	*2013*
	RMB'million	RMB'million
Within 1 year	127	-
After 1 years but within 5 years	2,139	2,289
	2,266	2,289

25 Trade and other payables

	Group		Company	
	2014 RMB'million	*2013* RMB'million	*2014* RMB'million	*2013* RMB'million
Trade payables	4,515	5,304	-	-
Other payables and accruals	1,141	1,147	-	
Amounts due to subsidiaries	-	-	620	433
Amounts due to fellow subsidiaries	1,834	1,649	378	302
Amount due to ultimate holding company	3,823	7,434	84	81
Amounts due to immediate holding company	241	462	28	31
Amounts due to associates and joint ventures	440	104	-	-
Receipts in advance	9,273	7,505	-	-
Financial derivatives	-	12	-	12
	21,267	23,617	1,110	859

Included in trade and other payables is retention payable of RMB14 million (2013: RMB19 million) which are expected to be settled after one year.

The amounts due to fellow subsidiaries, associates and joint ventures are unsecured, interest free and repayable on demand.

The amount due to the ultimate holding company is interest bearing at market rate, unsecured and repayable on demand.

26 Bonds payable

	Group	
	2014 RMB'million	*2013* RMB'million
United States Dollar Corporate Bonds (Note (a))	4,818	4,779
Bonds issued under		
Medium Term Note Programme (Note (b))		
- Singapore Dollar bonds (i)	647	667
- Renminbi bonds (ii) and (iii)	1,992	1,989
- USD bonds (iv)	2,410	-
	9,867	7,435

26 Bonds payable (continued)

Note:

(a) On 13 March 2013, the Group issued corporate bonds of USD800 million with a 5-year term and a fixed rate 2.625% per annum payable in arrears semi-annually at issue price of 99.397 per cent. As at 31 December 2014, the United States Dollar Corporate Bonds with principal value of USD6,350,000 is held by a fellow subsidiary of the Group.

(b) On 16 July 2013, the Group established a Medium Term Note Programme of USD2,000 million which is listed the Stock Exchange of Hong Kong. The Group has drawn down from the Medium Term Note Programme as set out below:

	Drawn down date	*Currency*	*Principal amount*	*Term*	*Interest rate /per annum*
1st Drawn Down	6 November 2013	SGD	140,000,000	4 years	3.28%
2nd Drawn Down	4 December 2013	RMB	1,000,000,000	5 years	4.50%
3rd Drawn Down	16 December 2013	RMB	1,000,000,000	3 years	4.05%
4th Drawn Down	4 June 2014	USD	400,000,000	5 years	4.50%

27 Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured and repayable of after one year. Other than amounts due to subsidiaries of RMB2,266 million (2013: RMB2,289 million) which bears interest at LIBOR or HIBOR plus margin per annum, the amouts are interest free.

28 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	Group	
	2014	*2013*
	RMB'million	RMB'million
CIT	98	191
LAT	277	383
	375	574

LAT provisions have been made pursuant to Guo Shui Fa (2006) No. 187 Circular of State Administration of Taxation on Relevant Issues of Settlement and Management of Land Appreciation Tax for Real Estate Developers. The Group considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of LAT, the provisions have been recorded as current liabilities as at 31 December 2014 and 2013.

28 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities recognized:

The components of deferred tax assets/(liabilities) of the Group recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses RMB'million	*Bad debt provision and write-down of inventories* RMB'million	*Accruals for construction costs* RMB'million	*Accrual for LAT* RMB'million	*Other temporary differences* RMB'million	*Withholding tax* RMB'million	*Total* RMB'million
Deferred tax arising from:							
At 1 January 2013	66	6	74	76	38	(27)	233
Credited/(charged) to the profit or loss (note 9(a))	(8)	(3)	34	26	(1)	-	48
At 31 December 2013 and 1 January 2014	58	3	108	102	37	(27)	281
Credited/(charged) to profit or loss (note 9(a))	14	8	10	(7)	(14)	(21)	(10)
At 31 December 2014	72	11	118	95	23	(48)	271

28 Income tax in the statement of financial position (continued)

(c) *Unrecognised deferred tax liabilities*

At 31 December 2014, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB3,729 million (2013: RMB3,183 million). Deferred tax liabilities of RMB262 million (2013: RMB217 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not distributed in the foreseeable future.

29 Capital, reserves and dividends

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'million	*Hedging reserve* RMB'million	*Retained profits* RMB'million	*Tatal* RMB'million
Balance at 1 January 2013	17	-	333	350
Changes in equity for 2013				
Loss and total comprehensive income for the year	-	-	(98)	(98)
Balance at 31 December 2013 and 1 January 2014	17	-	235	252
Changes in equity for 2014:				
Loss and total comprehensive income for the year	-	43	(61)	(18)
Balance at 31 December 2014	17	43	174	234

(b) *Dividends*

The directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2014 (2013: Nil).

29 Capital, reserves and dividends (continued)

(c) *Share capital*

Authorised and issued share capital

	2014		2013	
	No. of shares '000	*RMB'* million	*No. of shares* '000	*RMB'* million
Authorised: (note 1)				
Ordinary shares of HKD1,000 each (note 2)	-	-	15,600	17
Ordinary shares, issued and fully paid:				
At 1 January	15,600	17	15,600	17
Issue of new shares	-	-	-	-
At 31 December	15,600	17	15,600	17

Note 1: Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

Note 2: In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) *Nature and purpose of reserves*

(i) Statutory reserves

According to the PRC Company Law, certain PRC established companies comprising the Group are required to transfer 10% of its profit after taxation, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to equity shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

29 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

(iii) Capital contribution reserve

Capital contribution reserve was mainly resulted from transactions with owners in their capacity as owners.

(e) Non-controlling interests

The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Tianjin Vanke Real Estate Company Limited (Group)		*World City International Inc. (Group)*	
	2014 RMB'million	*2013* RMB'million	*2014* RMB'million	*2013* RMB'million
NCI percentage	15%	15%	45.8%	45.8%
Current assets	13,429	13,282	4,121	3,770
Non-current assets	458	326	-	-
Current liabilities	(10,013)	(9,840)	(2,505)	(2,479)
Net assets	3,874	3,768	1,616	1,291
NCI	829	947	95	76
Equity attributable to shareholder	3,045	2,821	1,521	1,215
Carrying amount of NCI	457	423	697	556
Revenue	3,585	3,461	811	1,357
Profit attributible to shareholder for the year	224	273	306	435
Total comprehensive income attributible to shareholder	224	273	306	435
Profit allocated to NCI	34	41	141	199
Total comprehensive income allocated to NCI	34	41	141	199
Cash flows generated/(used in) from				
- operating activities	296	(543)	(926)	28
- investing activities	(179)	11	3	1
- financing activities	(162)	837	(6)	97

29 Capital, reserves and dividends (continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total loans and borrowings less cash and cash equivalents and pledged deposits. The gearing ratio at 31 December 2014 and 2013 is calculated as follows:

	2014 RMB'million	*2013* RMB'million
Loans and borrowings (including bonds payable)	12,133	9,724
Less: Cash and cash equivalents	(2,736)	(5,710)
Pledged deposits	(27)	(47)
Net debt	9,370	3,967
Total equity	12,897	11,722
Gearing ratio	72.7%	33.8%

30 Financial risk management and fair values

Exposure to credit, liquidity, and interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, pledged deposits, and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

30 Financial risk management and fair values (continued)

(a) *Credit risk (continued)*

Cash and cash equivalents and pledged deposits held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low. The Group sets deposit limits against the financial institutions' credit risks.

In respect of trade receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

In respect of amounts due from fellow subsidiaries, associates and joint ventures, the Group facilitates their capital demand by assessing and closely monitoring their financial conditions and profitability.

Except for the financial guarantees given by the Group as set out in note 32, the Group does not provide any other guarantees which would expose the Group to credit risk.

(b) *Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2014				
	Carrying amount RMB'million	*Total contractual undiscounted cash flow* RMB'million	*Within 1 year or on demand* RMB'million	*More than 1 year but less than 2 years* RMB'million	*More than 2 years but less than 5 years* RMB'million
Bank loans	2,266	2,364	174	188	2,002
Trade creditors and accruals	5,601	5,601	5,187	362	52
Interest payable	55	55	55	-	-
Amounts due to immediate holding company, ultimate holding company and fellow subsidiaries	5,898	6,228	6,228	-	-
Amounts due to associates and joint ventures	440	440	440	-	-
Bonds payable	9,867	11,382	346	1,345	9,691
Total	24,127	26,070	12,430	1,895	11,745

30 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	2013				
	Carrying amount RMB'million	*Total contractual undiscounted cash flow* RMB'million	*Within 1 year or on demand* RMB'million	*More than 1 year but less than 2 years* RMB'million	*More than 2 years but less than 5 years* RMB'million
Bank loans	2,289	2,438	46	46	2,346
Trade creditors and accruals	6,451	6,451	6,432	19	-
Amounts due to immediate holding company, ultimate holding company and fellow subsidiaries	9,545	9,821	9,821	-	-
Financial derivatives	12	12	12	-	-
Amounts due to associates and joint ventures	104	104	104	-	-
Bonds payable	7,435	8,660	236	236	8,188
Total	25,836	27,486	16,651	301	10,534

(c) Interest rate risk

The Group's interest rate risk arises primarily from its cash and bank loan. Cash and bank loan issued at variable rates expose the Group to cash flow interest rate risk. The interest rate and terms of repayment of the Group's borrowings which are exposed to variable interest rate are disclosed in notes 24 and 25 to the consolidated financial statements.

Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates of cash and bank loan of the Group, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity by approximately RMB5 million (2013: RMB5 million).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank loans, without taking into account the impact of interest capitalisation.

30 Financial risk management and fair values (continued)

(d) Currency risk

The Group is exposed to foreign currency risk primarily on cash and cash equivalents and bank loans and bonds payable that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United State Dollars, Hong Kong Dollars and Singapore Dollars.

Cash and cash equivalents denominated in following currencies:

	2014 RMB'million	*2013* RMB'million
United States Dollars	1,274	576
Hong Kong Dollars	20	5

Bank loans and bonds payable denominated in following currencies are as follows:

	2014 RMB'million	*2013* RMB'million
Hong Kong Dollars	-	460
United States Dollars	9,039	6,608
Singapore Dollars	647	667

Trade and other receivables denominated in following currencies are as follows:

	2014 RMB'million	*2013* RMB'million
United States Dollars	77	-
Hong Kong Dollars	15,540	5,629

30 Financial risk management and fair values (continued)

(d) Currency risk (continued)

Trade and other payables denominated in following currencies are as follows:

	2014 RMB'million	*2013* RMB'million
Hong Kong Dollars	682	-
Singapore Dollars	79	-

Sensitivity analysis

Based on the assumption that Hong Kong Dollars continue to be pegged to United States Dollars, management estimated that should United States Dollars/Hong Kong Dollars be appreciated/deprceciated against Renminbi by 1% (2013: 3%), the Group's profit would be increased/decreased by RMB54 million (2013: RMB60 million) and the Group's equity would be decreased/increased by approximately RMB17 million (2013: RMB26 million). At the same time, management estimated that should Singapore Dollars be appreciated/depreciated against RMB by 1% (2013: 3%), the Group's profit decreased/increased by RMB5 million (2013: RMB20 million) and the Group's equity would be decreased/increased by RMB6 million (2013: RMB5 million).

The analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables remain constant.

(e) Fair value

(i) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-levels fair value hierarchy as defined in IFRS/HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial instruments.
- Level 2 valuations: fair value measured using level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

30 Financial risk management and fair values (continued)

(e) Fair value (continued)

(i) Financial instruments measured at fair value (continued)

31 December 2014

	Fair value at 31 December 2014 RMB'million	*Fair value measurements as at 31 December 2014 categorised into* *Level 1* RMB'million	*Level 2* RMB'million	*Level 3* RMB'million
Assets				
Non-deliverable forward contract	30	-	30	-

31 December 2013

	Fair value at 31 December 2013 RMB'million	*Fair value measurements as at 31 December 2013 categorised into* *Level 1* RMB'million	*Level 2* RMB'million	*Level 3* RMB'million
Liabilities				
Interest rate swaps	12	12	-	-

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2013 and 2014.

31 Commitments

(a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	2014 RMB'million	*2013* RMB'million
Construction and development contracts	4,458	3,636

Commitments mainly related to land and development costs for the Group's properties under development.

31 Commitments (continued)

(b) *At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	2014 RMB'million	*2013* RMB'million
Within 1 year	4	5
After 1 year but within 2 years	3	4
After 2 years but within 5 years	2	-
	9	9

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

32 Contingent liabilities

As at the end of the reporting period, the Group has issued guarantees to banks to secure the mortgage arrangement of property buyers. The outstanding guarantees to the banks amounted to RMB1,451 million (2013: RMB1,267 million), which will be terminated upon the completion of the transfer procedures with the buyers in respect of the legal title of the properties.

The directors do not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

33 Material related party transactions

(a) *Transactions with key management personnel*

All members of key management personnel are directors of the Company, and their remuneration is set out in note 10.

(b) *Transactions with other related parties*

The outstanding balances arising from transactions with subsidiaries, associates, ultimate holding company, immediate holding company and fellow subsidiaries are set out in notes 5, 8, 18, 21 and 25.

33 Material related party transactions (continued)

(c) *Financial guarantees issued*

As at 31 December 2014, the Company provided certain guarantees to secure the bonds issued and loans borrowed by certain subsidiaries. The outstanding guarantees amounted to RMB13,560 million (2013: RMB10,847 million). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees. Accordingly, the Company did not recognise any deferred income in this respect.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to date of issue of these financial statements, the IASB/HKICPA has issued a few of amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs/HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs/HKFRSs 2011-2013 cycle	1 July 2014
Annual improvements to IFRSs/HKFRSs 2012-2014 cycle	1 January 2016
Amendments to IAS/HKAS 16 and IAS/HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS/HKFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS/HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and standards is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

In addition, the applicable disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015). The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

35 Ultimate holding company

At 31 December 2014, the directors consider the immediate parent and the ultimate controlling party of the Group to be China Vanke Co., Ltd., which is a company domiciled in the PRC and has produced consolidated financial statements available for public use.