The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 February 2014

The Directors
Haichang Holdings Ltd.
BNP Paribas Securities (Asia) Limited
Merrill Lynch Far East Limited

Dear Sirs,

We set out below our report on the financial information of Haichang Holdings Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the three years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 September 2013 and the statements of financial position of the Company as at 31 December 2011 and 2012 and 30 September 2013, together with the notes thereto (the "Financial Information"), and the comparative combined statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the nine months ended 30 September 2012 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.2 of Section II below for inclusion in the prospectus of the Company dated 28 February 2014 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 November 2011. Since August 2012, the Company had been undertaken a series of reorganisation steps, as a result of which the Company has become the holding company of the companies now comprising the Group at the date of this report. Further details of the Group's reorganisation are set out in "Reorganization," as described in the subsection headed "History, Reorganisation and Corporate Structure" in the Prospectus. The Company has not commenced any business or operation since its incorporation. The Company and its subsidiaries have adopted 31 December as their financial year end date.

As of the date of this report, no statutory financial statements have been prepared by the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below except for 上海海昌極地海洋世界有限公司 which was acquired in January 2014. The statutory financial statements of the subsidiary incorporated in the British Virgin Islands were not prepared as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. The statutory financial statements of the companies established or incorporated in Mainland China and Hong Kong were prepared in accordance with the relevant accounting principles applicable to those companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the Group's combined financial statements for each of the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have also performed a review of the Interim Comparative Information in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011, and 2012 and 30 September 2013 and of the Company as at 31 December 2011, 2012 and 30 September 2013, and of the combined results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined statements of profit or loss

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	6	799,212	683,731	889,014	639,920	779,168
Cost of sales		(381,988)	(384,073)	(489,347)	(336,220)	(386,318)
GROSS PROFIT		417,224	299,658	399,667	303,700	392,850
Other income and gains	6	81,934	163,790	309,435	159,414	211,884
Selling and marketing expenses		(37,539)	(63,388)	(76,885)	(69,317)	(51,812)
Administrative expenses		(111,368)	(140,807)	(135,113)	(91,963)	(94,972)
Other expenses		(3,304)	(940)	(8,764)	(1,958)	(165)
Finance costs	8	(52,218)	(142,233)	(301,296)	(229,097)	(282,105)
PROFIT BEFORE TAX	7	294,729	116,080	187,044	70,779	175,680
Income tax expenses	10	(111,619)	(70,590)	(108,171)	(41,858)	(71,290)
PROFIT FOR THE YEAR/PERIOD		183,110	45,490	78,873	28,921	104,390
Attributable to:						
Owners of the parent		148,775	30,043	59,617	14,422	89,051
Non-controlling interests		34,335	15,447	19,256	14,499	15,339
		183,110	45,490	78,873	28,921	104,390
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
– Basic	13	N/A	N/A	N/A	N/A	N/A

I. FINANCIAL INFORMATION (continued)

Combined statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
PROFIT FOR THE YEAR/PERIOD	183,110	45,490	78,873	28,921	104,390
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operation	–	–	378	(1)	604
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	–	–	378	(1)	604
Items not to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operation	–	–	(3,567)	802	(10,753)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	–	(3,567)	802	(10,753)
Other comprehensive income	–	–	(3,189)	801	(10,149)
TOTAL COMPREHENSIVE INCOME	183,110	45,490	75,684	29,722	94,241
Attributable to:					
Owners of the parent	148,775	30,043	56,428	15,223	78,902
Non-controlling interests	34,335	15,447	19,256	14,499	15,339
	183,110	45,490	75,684	29,722	94,241

I. FINANCIAL INFORMATION (continued)

Combined statements of financial position

	Notes	As of 31 December 2010	2011	2012	As of 30 September 2013
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	1,340,187	1,884,964	1,842,282	1,873,110
Investment properties	15	460,767	872,000	1,143,000	1,350,000
Prepaid land lease payments	16	342,102	332,206	315,038	307,142
Intangible assets	17	35	85	123	104
Available-for-sale investment	18	19,170	19,170	19,170	19,170
Due from a related company	26,42(b)	–	–	500,000	–
Deferred tax assets	19	129,854	90,609	70,753	54,769
Long-term prepayments	25	30,884	40,322	18,247	34,568
Total non-current assets		2,322,999	3,239,356	3,908,613	3,638,863
CURRENT ASSETS					
Completed properties held for sale	20	504,332	416,011	470,871	349,898
Properties under development	21	622,057	574,682	648,047	723,755
Inventories	23	7,153	7,386	6,834	7,970
Trade and bills receivables	24	114,008	16,818	17,955	18,933
Available-for-sale investment	18	–	–	180,182	200
Prepayments, deposits and other receivables	25	42,278	59,017	72,421	69,899
Due from the ultimate holding company	26, 42(b)	–	–	–	615
Due from related companies	26, 42(b)	1,178,957	3,050,257	1,983,260	2,186,610
Due from related parties	26, 42(b)	2,800	–	–	–
Due from a non-controlling equity holder	26, 42(b)	56,897	75,555	52,675	58,977
Pledged bank balances	27	2,582	3,632	2,286	2,291
Cash and cash equivalents	27	107,067	115,545	404,040	590,706
Total current assets		2,638,131	4,318,903	3,838,571	4,009,854
CURRENT LIABILITIES					
Gross amount due to a contract customer	22	–	–	6,212	8,593
Trade and bills payables	28	634,689	564,380	492,745	375,290
Other payables and accruals	29	137,398	230,036	174,539	174,546
Due to related companies	26, 42(b)	1,063,593	786,061	807,266	1,172,994
Due to a related party	26, 42(b)	818	–	–	–
Advances from customers	30	112,338	267,803	361,506	295,813
Interest-bearing bank and other borrowings	31	307,440	1,672,292	1,436,777	1,197,921
Government grants	33	9,703	11,166	9,577	9,463
Deferred revenue	34	–	–	4,036	7,898
Tax payables	10	298,149	298,421	251,748	236,639
Total current liabilities		2,564,128	3,830,159	3,544,406	3,479,157
NET CURRENT ASSETS		74,003	488,744	294,165	530,697
TOTAL ASSETS LESS CURRENT LIABILITIES		2,397,002	3,728,100	4,202,778	4,169,560
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	813,999	2,438,840	2,406,470	2,315,370
Government grants	33	609,931	595,887	587,440	588,162
Deferred tax liabilities	19	31,957	30,182	65,008	78,596
Total non-current liabilities		1,455,887	3,064,909	3,058,918	2,982,128
NET ASSETS		941,115	663,191	1,143,860	1,187,432
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Issued capital	35	–	–	72	72
Reserves	36	649,451	362,201	1,008,091	1,036,587
		649,451	362,201	1,008,163	1,036,659
Non-controlling interests		291,664	300,990	135,697	150,773
TOTAL EQUITY		941,115	663,191	1,143,860	1,187,432

I. FINANCIAL INFORMATION (continued)

Combined statements of changes in equity

	Notes	Attributable to owners of the parent							Non-controlling interests	Total equity
		Paid-up capital	Share premium	Capital reserve	Statutory reserves	Exchange fluctuation reserve	(Accumulated losses)/ retained earnings	Total		
		RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 36(a))	RMB'000 (note 36(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010		–	–	646,477	829	–	(7,825)	639,481	297,257	936,738
Profit for the year and total comprehensive income for the year		–	–	–	–	–	148,775	148,775	34,335	183,110
Transfer to statutory reserves		–	–	–	20,274	–	(20,274)	–	–	–
Acquisition of non-controlling interests		–	–	35,815	–	–	–	35,815	(35,815)	–
Capital contribution by non-controlling equity holders		–	–	(2,875)	–	–	–	(2,875)	2,875	–
Deemed distribution to the then equity holders	*36(c)*	–	–	(415,417)	–	–	–	(415,417)	(32)	(415,449)
Deemed contribution from the equity holders	*36(d)*	–	–	290,474	–	–	–	290,474	13,102	303,576
Dividends declared		–	–	–	–	–	(46,802)	(46,802)	(20,058)	(66,860)
At 31 December 2010 and 1 January 2011		–	–	554,474*	21,103*	–	73,874*	649,451	291,664	941,115
Profit for the year and total comprehensive income for the year		–	–	–	–	–	30,043	30,043	15,447	45,490
Capital contribution by non-controlling equity holders		–	–	(3,471)	–	–	–	(3,471)	3,471	–
Transfer to statutory reserves		–	–	–	15,187	–	(15,187)	–	–	–
Dividends declared		–	–	–	–	–	–	–	(9,572)	(9,572)
Deemed contribution from the equity holders	*36(d)*	–	–	10,000	–	–	–	10,000	–	10,000
Deemed distribution to the then equity holders	*36(c)*	–	–	(323,822)	–	–	–	(323,822)	(20)	(323,842)
At 31 December 2011 and 1 January 2012		–	–	237,181*	36,290*	–*	88,730*	362,201*	300,990	663,191

I. FINANCIAL INFORMATION (continued)

Combined statements of changes in equity (continued)

	Notes	Attributable to owners of the parent								
		Paid-up capital	Share premium	Capital reserve	Statutory reserves	Exchange fluctuation reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
		RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 36(a))	RMB'000 (note 36(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011 and 1 January 2012		–	–*	237,181*	36,290*	–*	88,730*	362,201*	300,990	663,191
Profit for the year		–	–	–	–	–	59,617	59,617	19,256	78,873
Exchange differences on translation of foreign operations		–	–	–	–	(3,189)	–	(3,189)	–	(3,189)
Total comprehensive income for the year		–	–	–	–	(3,189)	59,617	56,428	19,256	75,684
Issue of shares	35	72	509,596	–	–	–	–	509,668	–	509,668
Acquisition of non-controlling interests		–	–	184,490	–	–	–	184,490	(184,490)	–
Capital contribution by non-controlling equity holders		–	–	(126)	–	–	–	(126)	126	–
Deemed distribution to the then equity holders	36(c)	–	–	(166,776)	–	–	–	(166,776)	(65)	(166,841)
Deemed contribution from the equity holders	36(d)	–	–	75,830	–	–	(7,000)	68,830	–	68,830
Transfer to statutory reserve		–	–	–	21,229	–	(21,229)	–	–	–
Others		–	–	(19)	–	–	–	(19)	–	(19)
Dividends declared		–	–	–	–	–	(6,533)	(6,533)	(120)	(6,653)
At 31 December 2012 and 1 January 2013		72*	509,596*	330,580*	57,519*	(3,189)*	113,585*	1,008,163*	135,697	1,143,860

I. FINANCIAL INFORMATION (continued)

Combined statements of changes in equity (continued)

	Notes	Attributable to owners of the parent								
		Paid-up capital	Share premium	Capital reserve	Statutory reserves	Exchange fluctuation reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
		RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 36(a))	RMB'000 (note 36(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012 and 1 January 2013		72	509,596*	330,580*	57,519*	(3,189)*	113,585*	1,008,163*	135,697	1,143,860
Profit for the period		–	–	–	–	–	89,051	89,051	15,339	104,390
Exchange differences on translation of foreign operations		–	–	–	–	(10,149)	–	(10,149)	–	(10,149)
Total comprehensive income for the period		–	–	–	–	(10,149)	89,051	78,902	15,339	94,241
Deemed distribution to the then equity holders	*36(c)*	–	–	(50,406)	–	–	–	(50,406)	(263)	(50,669)
Transfer to statutory reserve		–	–	–	15,982	–	(15,982)	–	–	–
At 30 September 2013		72	509,596*	280,174*	73,501*	(13,338)*	186,654*	1,036,659*	150,773	1,187,432

I. FINANCIAL INFORMATION (continued)

Combined statements of changes in equity (continued)

	Notes	Attributable to owners of the parent								
		Paid-up capital	Share premium	Capital reserve	Statutory reserves	Exchange fluctuation reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
		RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 36(a))	RMB'000 (note 36(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011 and 1 January 2012		–	–*	237,181*	36,290*	–*	88,730*	362,201*	300,990	663,191
Profit for the period		–	–	–	–	–	14,422	14,422	14,499	28,921
Exchange differences on translation of foreign operations		–	–	–	–	801	–	801	–	801
Total comprehensive income for the period		–	–	–	–	801	14,422	15,223	14,499	29,722
Issue of shares	35	72	509,596	–	–	–	–	509,668	–	509,668
Acquisition of non-controlling interest		–	–	184,490	–	–	–	184,490	(184,490)	–
Capital contribution by non-controlling equity holders		–	–	(126)	–	–	–	(126)	126	–
Deemed distribution to the then equity holders	*36(c)*	–	–	(167,001)	–	–	–	(167,001)	(112)	(167,113)
Deemed contribution from the equity holders	*36(d)*	–	–	75,830	–	–	(7,000)	68,830	–	68,830
Transfer to statutory reserve		–	–	–	9,803	–	(9,803)	–	–	–
Dividends declared		–	–	–	–	–	(6,533)	(6,533)	(120)	(6,653)
At 30 September 2012 (unaudited)		72	509,596*	330,374*	46,093*	801*	79,816*	966,752*	130,893	1,097,645

* These reserve accounts comprise the combined reserves of RMB649,451,000, RMB362,201,000, RMB1,008,091,000, RMB1,036,587,000 and RMB996,680,000 (unaudited) as at 31 December 2010, 2011 and 2012 and 30 September 2013 and 2012, respectively.

I. FINANCIAL INFORMATION (continued)

Combined statements of cash flows

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		294,729	116,080	187,044	70,779	175,680
Adjustments for:						
Depreciation of property, plant and equipment	*14*	48,910	84,628	112,893	82,822	85,612
Amortisation of intangible assets	*17*	15	39	24	18	19
Amortisation of prepaid land lease payments	*16*	10,062	9,968	9,962	6,881	7,929
Provision/(reversal of provision) for inventories	*23*	2,009	96	(363)	(262)	(695)
Provision/(reversal of provision) for completed properties held for sale	*20*	6,642	(6,642)	–	–	–
Loss/(gain) on disposal of items of property, plant and equipment	*7*	2,093	959	(11,765)	(11,443)	42
Changes in fair value of investment properties	*15*	(7,234)	15,716	(143,149)	(49,284)	(56,067)
Gain on revaluation upon reclassification from properties under development to investment properties	*21*	(46,716)	(122,029)	(3,551)	(3,551)	–
Gain on revaluation upon reclassification from completed properties held for sale to investment properties	*20*	–	–	–	–	(8,938)
Impairment of trade and bills receivables	*24*	–	–	3,214	3,214	–
Impairment/(reversal of impairment) of other receivables	*25*	10,531	(1,113)	–	–	–
Finance costs	*8*	52,218	142,233	301,296	229,097	282,105
Interest income	*7*	(1,173)	(32,385)	(124,285)	(74,286)	(126,455)
		372,086	207,550	331,320	253,985	359,232
Increase in properties under development		(362,464)	(223,035)	(199,421)	(132,673)	(14,553)
Decrease in completed property held for sales		195,810	96,534	121,805	66,106	83,859
Increase in a gross amount due (from)/to a contract customer		–	–	6,212	(1,432)	2,381
(Increase)/decrease in inventories		(3,836)	(329)	915	243	(441)
(Increase)/decrease in trade and bills receivables		(20,287)	97,190	(4,351)	(2,902)	(978)
(Increase)/decrease in prepayments, deposits and other receivables		(126,141)	(15,698)	(13,270)	(111,240)	2,489
(Decrease)/increase in advances from customers		(64,695)	155,465	93,703	207,034	(65,693)
Increase/(decrease) in trade and bills payables		313,730	(70,309)	(71,635)	(73,813)	(117,455)
(Decrease)/increase in other payables and accruals		(61,850)	92,638	(48,520)	202,294	7

I. FINANCIAL INFORMATION (continued)

Combined statements of cash flows (continued)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase/(decrease) in government grants		164,699	(12,581)	(10,036)	(7,259)	608
Increase in deferred revenue		–	–	4,036	3,281	3,862
Cash generated from operations		407,052	327,425	210,758	403,624	253,318
Interest received		1,173	32,385	81,865	43,703	87,104
Tax paid		(29,016)	(32,848)	(100,162)	(58,744)	(56,827)
Net cash flows from operating activities		379,209	326,962	192,461	388,583	283,595
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(746,418)	(630,364)	(78,193)	(72,292)	(117,018)
Decrease/(increase) in long-term prepayments		43,337	(9,438)	22,075	8,351	(16,321)
Increase in prepaid land lease payment		–	–	(5,469)	(1,516)	–
(Increase)/decrease in available-for-sale investments		–	–	(180,201)	–	179,982
Increase in an amount due from the ultimate holding company		–	–	–	–	(615)
(Increase)/decrease in amounts due from related companies		(364,702)	(1,871,300)	(153,392)	(249,670)	286,501
(Increase)/decrease in amounts due from related parties		(2,800)	2,800	–	–	–
(Increase)/decrease in an amount due from a non-controlling equity holder		(3,518)	(18,658)	22,880	2,935	(6,302)
Proceeds from disposal of items of property, plant and equipment		5,281	–	19,747	19,695	536
Proceeds from disposal of prepaid land lease payments		–	–	12,362	12,362	–
Purchase of intangible assets	*17*	(23)	(89)	(62)	(57)	–
Disposal of subsidiaries		(30,479)	–	(615)	(615)	–
Additions to investment properties	*15*	(19,800)	(2,949)	(106,873)	(73,128)	(102,933)
Net cash flows from/(used in) investing activities		(1,119,122)	(2,529,998)	(447,741)	(353,935)	223,830

I. FINANCIAL INFORMATION (continued)

Combined statements of cash flows (continued)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from the then equity holder of a subsidiary		10,000	10,000	–	–	–
Issue of shares		–	–	509,668	509,668	–
Increase/(decrease) in amounts due to related companies		380,597	(277,532)	21,205	(24,268)	365,728
Increase/(decrease) in an amount due to a relate party		818	(818)	–	–	–
Decrease/(increase) of finance lease payables		–	128,299	(40,169)	(9,259)	71,394
Deemed distribution to the then equity holders		(187)	(323,842)	(112,375)	(112,647)	(11,318)
New bank and other loans		951,460	3,494,679	1,381,800	515,930	960,000
Repayment of bank and other loans		(505,021)	(633,285)	(841,419)	(191,740)	(1,361,350)
Decrease/(increase) in pledged deposits		36,196	(1,050)	1,346	2,896	(5)
Dividends paid		(66,860)	(9,572)	(6,653)	(6,653)	–
Interest paid		(90,082)	(175,365)	(369,628)	(282,458)	(345,208)
Net cash flows/(used in) from financing activities		716,921	2,211,514	543,775	401,469	(320,759)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(22,992)	8,478	288,495	436,117	186,666
Cash and cash equivalents at beginning of year/period		130,059	107,067	115,545	115,545	404,040
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		107,067	115,545	404,040	551,662	590,706
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statement of financial position		107,067	115,545	404,040	551,662	590,706
Non-pledged deposits with original maturity of less than three months when acquired		–	–	–	–	–
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION AND CASH FLOWS		107,067	115,545	404,040	551,662	590,706

I. FINANCIAL INFORMATION (continued)

Statements of financial position

	Notes	As of 31 December		As of 30 September
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investment in a subsidiary		–	–	–
CURRENT ASSETS				
Due from the ultimate holding company	*42(b)*	–	–	615
Due from subsidiaries	*42(b)*	–	491,794	481,101
Cash and cash equivalents	*27*	–	2,550	684
Total current assets		–	494,344	482,400
CURRENT LIABILITIES				
Other payables	*29*	57	57	56
Due to related companies	*42(b)*	–	2,200	2,152
Total current liabilities		57	2,257	2,208
NET CURRENT (LIABILITIES)/ASSETS		(57)	492,087	480,192
TOTAL ASSETS LESS CURRENT LIABILITIES		(57)	492,087	480,192
EQUITY				
Issued capital	*35*	–	72	72
Reserves	*36*	(57)	492,015	480,120
TOTAL EQUITY		(57)	492,087	480,192
NET LIABILITIES/ASSETS		(57)	492,087	480,192

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 21 November 2011 with limited liability. The registered office address of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Group is principally engaged in the development, construction and operation of entertainment theme parks, property development and investment and hotel operations in the People's Republic of China (the "PRC"). The Company's immediate and ultimate holding company was Haichang Group Limited, a company incorporated in the British Virgin Islands (the "BVI").

Particulars of the Company's subsidiaries as at the date of this report are set out below:

Name of company	Place and date of incorporation/ establishment and place of business	Nominal value of issued or paid up capital	Percentage of equity interest attributable to the Group
Haichang Holdings (Asia) Ltd ("Haichang Asia") (a)	British Virgin Islands 22 November 2011	US$50,000	100%
Haichang Holdings (Hong Kong) Ltd. ("Haichang Hong Kong") (b)	Hong Kong 5 December 2011	HK$1	100%
海昌(中國)有限公司 ("Haichang China")* (c)	Mainland China 11 December 1996	RMB19,067,000	100%
大連海昌旅遊集團有限公司 ("Dalian Tourism") (d)	Mainland China 2 February 2010	RMB10,000,000	100%
大連老虎灘海洋公園有限公司 ("LHT") (e)***	Mainland China 9 November 2001	RMB240,584,000	58.3%
青島極地海洋世界有限公司 ("Qingdao Park") (f)	Mainland China 26 September 2002	RMB246,148,000	100%
大連星期五大道商業服務有限公司 ("Friday Avenue") (g)	Mainland China 13 May 2003	RMB30,000,000	100%
成都極地海洋實業有限公司 ("Chengdu Park") (h)	Mainland China 18 December 2003	RMB30,305,000	100%
武漢極地海洋世界投資有限公司 ("Wuhan Park") (i)	Mainland China 25 October 2004	RMB60,000,000	100%
煙台漁人碼頭投資有限公司 ("Yantai Park") (j)	Mainland China 15 March 2005	RMB30,000,000	100%
天津極地旅遊有限公司 ("Tianjin Park") (k)	Mainland China 24 September 2007	RMB204,889,025	100%
大連老虎灘四維影院有限公司 ("4D Cinema")**	Mainland China 25 May 2001	RMB20,000,000	49%
上海海昌極地海洋世界有限公司 ("Shanghai Haichang")**** (l)	Mainland China 19 July 2011	RMB10,000,000	100%

* Haichang China is a wholly owned foreign investment enterprise and its registered capital was fully paid up at 30 September 2013.

** 4D Cinema is treated as a subsidiary because the Group has been delegated the equity holder's right from the other equity holder to control and operate 4D Cinema. The profit sharing ratios of 4D Cinema are in proportion to the respective equity ratio of the equity holder.

*** According to the articles of association of LHT, the profit sharing ratios of LHT are not in proportion to their equity ratios but are as defined in the articles of association. Pursuant to the articles of association, Haichang China and the other equity holder share the profits of LHT at a 70%:30% ratio, respectively.

**** The Group acquired 100% equity interests of Shanghai Haichang from 大連海昌集團有限公司 on 13 January 2014.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION (continued)

(a) No statutory financial statements have been prepared by Haichang Asia as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) The statutory financial statements of Haichang Hong Kong for the year ended 31 December 2012 prepared in accordance with Hong Kong Financial Reporting Standards have been audited by Lau & Lei Certified Public Accountants, a certified public accounting firm in Hong Kong.

(c) The statutory financial statements of Haichang China for the years ended 31 December 2010, 2011 and 2012 prepared in accordance with the PRC generally accepted accounting principles ("PRC GAAP") have been audited by 大連匯明會計師事務所有限公司 ("Dalian Huiming Certified Public Accountants Co., Ltd."), 大連源源會計師事務所有限公司 ("Dalian Yuanyuan Certified Public Accountants Co., Ltd.") and Dalian Yuanyuan Certified Public Accountants Co., Ltd., which are certified public accounting firms registered in the PRC, respectively.

(d) The statutory financial statements of the Dalian Tourism for the years ended 31 December 2010, 2011 and 2012 prepared in accordance with PRC GAAP have been audited by Dalian Huiming Certified Public Accountants Co., Ltd., Dalian Yuanyuan Certified Public Accountants Co., Ltd. and Dalian Yuanyuan Certified Public Accountants Co., Ltd., which are certified public accounting firms registered in the PRC, respectively.

(e) The statutory financial statements of LHT for the years ended 31 December 2010, 2011 and 2012 prepared in accordance with the PRC GAAP have been audited by 大連浩華會計師事務所有限公司 ("Dalian Haohua Certified Public Accountants Co., Ltd."), a certified public accounting firm registered in the PRC.

(f) The statutory financial statements of Qingdao Park for the years ended 31 December 2010, 2011 and 2012 prepared in accordance with the PRC GAAP have been audited by 北京紅日會計師事務所有限公司山東分所 ("Beijing Hongri Certified Public Accountants Co., Ltd. Shandong Branch"), Beijing Hongri Certified Public Accountants Co., Ltd. Shandong Branch and 青島振青會計師事務所有限公司 ("Qingdao Zhenqing Certified Public Accountants Co., Ltd."), which are certified public accounting firms registered in the PRC, respectively.

(g) The statutory financial statements of Friday Avenue for the years ended 31 December 2010, 2011 and 2012 prepared in accordance with the PRC GAAP have been audited by Dalian Huiming Certified Public Accountants Co., Ltd., Dalian Yuanyuan Certified Public Accountants Co., Ltd. and Dalian Yuanyuan Certified Public Accountants Co., Ltd., which are certified public accounting firms registered in the PRC, respectively.

(h) The statutory financial statements of Chengdu Park for the years ended 31 December 2010 2011 and 2012 prepared in accordance with the PRC GAAP have been audited by Dalian Huiming Certified Public Accountants Co., Ltd., Dalian Yuanyuan Certified Public Accountants Co., Ltd. and Dalian Yuanyuan Certified Public Accountants Co., Ltd., which are certified public accounting firms registered in the PRC, respectively.

(i) The statutory financial statements of Wuhan Park for the years ended 31 December 2010, 2011 and 2012 prepared in accordance with the PRC GAAP have been audited by 湖北正遠聯合會計師事務所有限公司 ("Hubei Zhengyuan Lianhe Certified Public Accountants Co., Ltd."), which is a certified public accounting firm registered in the PRC.

(j) The statutory financial statements of Yantai Park for the years ended 31 December 2010 2011 and 2012 prepared in accordance with the PRC GAAP have been audited by 煙台冠達會計師事務所有限公司 ("Yantai Guanda Lianhe Certified Public Accountants Co., Ltd."), 煙台新和會計師事務所有限公司 ("Yantai Xinhe Certified Public Accountants Co., Ltd.") and Yantai Xinhe Certified Public Accountants Co., Ltd., which are certified public accounting firms registered in the PRC, respectively.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION (continued)

(k) The statutory financial statements of Tianjin Park for the three years ended 31 December 2012, prepared in accordance with the PRC GAAP have been audited by Dalian Huiming Certified Public Accountants Co., Ltd., which is a certified public accounting firm registered in the PRC.

(l) The statutory financial statements of Shanghai Haichang for the years ended 31 December 2011 and 2012, prepared in accordance with the PRC GAAP have been audited by 新正光會計事務所有限公司 ("Xinzhengguang Certified Public Accountants Co., Ltd.") and 上海申為會計師事務所有限公司 ("Shanghai Shenwei Certified Public Accountants cp., Ltd."), which are certified public accounting firms registered in the PRC, respectively.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

LHT

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
Percentage of equity interest held by non-controlling interests	41.7%	41.7%	41.7%	41.7%	41.7%

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the period allocated to non-controlling interests	8,601	9,498	10,601	10,354	13,522
Dividends paid to non-controlling interests of LHT	20,058	9,572	–	–	–
Accumulated balances of non-controlling interests at the reporting dates	90,921	90,847	101,448	101,201	114,970

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	128,515	136,119	141,386	112,140	123,355
Total expense	44,684	71,182	74,493	54,196	52,648
Total comprehensive income for the year/period	28,670	31,661	35,335	34,512	45,074
Current assets	124,299	634,120	681,150	690,724	734,580
Non-current assets	136,946	127,658	116,631	116,566	112,148
Current liabilities	52,845	53,627	55,354	64,627	58,168
Non-current liabilities	–	500,000	500,000	500,000	500,000
Net cash flows (used in)/from operating activities	(13,628)	36,929	54,998	34,445	84,861
Net cash used in investing activities	(5,797)	(6,228)	(7,406)	(4,028)	(3,528)
Net cash flows from/(used in) financing activities	29,931	(26,575)	(43,969)	(33,335)	(31,686)
Net increase/(decrease) in cash and cash equivalents	10,506	4,126	3,623	(2,918)	(49,647)

II. NOTES TO THE FINANCIAL INFORMATION (continued)

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has have been prepared on a historical cost convention, except for investment properties and certain available-for-sale investments, which have been measured at fair value. The Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company has undertaken a series of reorganisation steps under different phases. Except for the acquisitions of 大連海昌發現王國主題公園有限公司 ("Discoveryland") and 重慶加勒比海旅遊發展有限公司 ("Chongqing Caribbean"), as disclosed in phase 5 of the reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. The companies now comprising the Group are under common control of Mr. Qu Nai Jie ("Mr. Qu") and his spouse. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 September 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All significant intra-group transactions and balances have been eliminated on consolidation.

The Financial Information of Discoveryland and Chongqing Caribbean has not been combined into the Group's Financial Information since the respective acquisitions have not been completed at the date of this report.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (2011 Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011 Revised) – *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010-2012 cycle[2]	
Annual Improvements 2011-2013 cycle[2]	

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the holder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the reporting period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquired entities' financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the equity holder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

The combined statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Subsidiaries

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of such impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

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

or

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

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, machinery and equipment under installation, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over the following estimated useful lives.

Park and other buildings	20 to 40 years
Machinery	5 to 10 years
Motor vehicles	4 to 10 years
Office equipment and furniture	3 to 5 years
Live animals	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties or completed properties held for sale, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from properties under development to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation is calculated on the straight-line basis to write off the cost of each item of intangible assets over the following estimated useful lives:

Computer software . . . . 5 to 10 years

Computer software

Expenditure on acquired computer software is capitalised and amortised using the straight-line method over its estimated useful lives of 5 to 10 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

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

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

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

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriation of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gains or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Derecognition of financial assets

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

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

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

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related companies, an amount due to a related party and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

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

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are merchandise goods and stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

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

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

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

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured;

(b) from the sale of goods, when the significant risks and rewards of ownership and title have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(d) from the rendering of services, when the services are rendered;

(e) from ticket sales, when receiving ticket fare or rights to collect money from tourist parties;

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

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

(h) income from hotel operations, recognised upon services rendered.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee retire benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in the PRC ("PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the statement of profit or loss as incurred.

Borrowing costs

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

Where funds have been borrowed generally and used for the purpose of obtaining qualified assets, a capitalisation rate ranging between 0.8% and 3.4% has been applied to the expenditure on the individual assets.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"). The Company's functional currency is US$. The Group's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year and the period. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income deferred relating to that particular foreign operation is recognised in the statement of profit or loss.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

(i) Operating lease commitments – Group as lessor

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

(ii) Sale and finance lease back – Group as lessee

The Group has entered into a sale and finance lease back arrangements on certain of the Group's machinery. The Group has determined that it retains all the significant risks and rewards of ownership of these items machinery under such sale and finance lease back arrangement.

(iii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(iii) Classification between investment properties and owner-occupied properties (continued)

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iv) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets and are subject to revaluation at the reporting date if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at the lower of cost or net realisable value, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each reporting date.

(v) Consolidation of entity in which the Group holds less than a majority of voting right

The Group considers that it controls 4D Cinema even though it owns less than 50% of the voting right. This is because the Group has been delegated the equity holder's right from the other equity holder to control and operate 4D Cinema.

Estimation uncertainty

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

(i) Valuation of properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ii) Allocation of construction cost on properties under development, investment properties under construction and construction in progress

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable/usable floor area of each phase as a percentage of the total saleable/usable floor area of the entire project. For properties under development, the cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

(iii) PRC corporate income tax ("CIT")

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

(iv) PRC land appreciation tax ("LAT")

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

(v) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(vi) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(vi) Estimation of fair value of investment properties (continued)

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

The carrying amount of investment properties at 31 December 2010, 2011 and 2012 and 30 September 2013 was RMB460,767,000, RMB872,000,000, RMB1,143,000,000 and RMB1,350,000,000, respectively. Further details, including the key assumptions used for fair value measurements and a sensitivity analysis, are given in note 15 to the financial statements.

(vii) Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss.

(viii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 44 to the financial statements.

(ix) Provision for impairment of receivables

Provision for impairment of receivables is made based on the ageing and past repayment pattern of the receivables. The assessment of the impairment amount required involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of receivables and impairment charge/write-back of impairment in the period in which such estimate has been changed.

(x) Provision for completed properties held for sale

The Group recognised a provision for the completed properties held for sale when the cost of completed properties held for sale exceeded the net realisable value. The assessment of the provision requires management estimates on the future selling price and future cost to be incurred of the completed properties held for sale. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of completed properties held for sale and provision charge/written-back.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) park operations segment engages in the development, construction and operation of entertainment theme park;

(b) property development and holding segment engages in the management of the Group's developed and operating properties for rental income potential and for capital appreciation; and

(c) the others segment engages in hotel operation and the provision of services to guests.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations.

Segment assets exclude intangible assets, available-for-sale investment, trade and bills receivables, prepayments, deposits and other receivables, deferred tax assets, an amount due from the ultimate holding company, amounts due from related companies, amounts due from related parties, an amount due from a non-controlling equity holder, cash and cash equivalents and pledged deposits as these assets are managed on a group basis.

The Groups' liabilities are managed on a group basis except for the gross amount due to a contract customer which is a segment liability.

No further geographical segment information is presented as over 90% of the Group's revenue from external customers is derived from its operation in Mainland China and over 90% of the Group's non-current assets are located in Mainland China.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the Relevant Periods:

Year ended 31 December 2010	Park operations	Property development and holding	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue				
Sales to external customers	386,260	412,952	–	799,212
Intersegment sales	–	–	–	–
Total revenue	386,260	412,952	–	799,212
Reconciliations:				
Elimination of intersegment sales				–
Revenue from continuing operations				799,212
Segment results	206,724	210,500	–	417,224
Reconciliations:				
Unallocated income				81,934
Unallocated expenses				(152,211)
Finance costs				(52,218)
Profit before tax				294,729
31 December 2010				
Segment assets	1,720,326	1,587,156	–	3,307,482
Reconciliations:				
Corporate and other unallocated assets				1,653,648
Total assets				4,961,130
Segment liabilities	–	–	–	–
Reconciliations:				
Corporate and other unallocated liabilities				4,020,015
Total liabilities				4,020,015
Year ended 31 December 2010				
Other segment information				
Impairment losses recognised in the statement of profit or loss	19,182	–	–	19,182
Depreciation and amortisation				
Unallocated				15
Segment	58,972	–	–	58,972
Capital expenditure*				
Unallocated				23
Segment	746,418	19,800	–	766,218

* Capital expenditure consists of additions to property, plant and equipment, investment properties and other intangible assets.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2011	Park operations RMB'000	Property development and holding RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	536,350	146,947	434	683,731
Intersegment sales	–	–	–	–
Total revenue	536,350	146,947	434	683,731
Reconciliations:				
Elimination of intersegment sales				–
Revenue from continuing operations				683,731
Segment results	243,009	57,055	(406)	299,568
Reconciliations:				
Unallocated income				163,790
Unallocated expenses				(205,135)
Finance costs				(142,233)
Profit before tax				116,080
31 December 2011				
Segment assets	2,264,878	1,862,693	–	4,127,571
Reconciliations:				
Corporate and other unallocated assets				3,430,688
Total assets				7,558,259
Segment liabilities	–	–	–	–
Reconciliations:				
Corporate and other unallocated liabilities				6,895,068
Total liabilities				6,895,068
Year ended 31 December 2011				
Other segment information				
Impairment losses recognised in the statement of profit or loss	96	–	–	96
Depreciation and amortisation				
Unallocated				39
Segment	94,596	–	–	94,596
Capital expenditure*				
Unallocated				89
Segment	630,364	2,949	–	633,313

* Capital expenditure consists of additions to property, plant and equipment, investment properties and other intangible assets.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2012	Park operations RMB'000	Property development and holding RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	633,407	250,094	5,513	889,014
Intersegment sales	5,321	–	–	5,321
Total revenue	638,728	250,094	5,513	894,335
Reconciliations:				
Elimination of intersegment sales				(5,321)
Revenue from continuing operations				889,014
Segment results	271,139	128,289	239	399,667
Reconciliations:				
Unallocated income				309,435
Unallocated expenses				(220,762)
Finance costs				(301,296)
Profit before tax				187,044
31 December 2012				
Segment assets	2,182,401	2,261,918	–	4,444,319
Reconciliations:				
Corporate and other unallocated assets				3,302,865
Total assets				7,747,184
Segment liabilities	–	–	6,212	6,212
Reconciliations:				
Corporate and other unallocated liabilities				6,597,112
Total liabilities				6,603,324
Year ended 31 December 2012				
Other segment information				
Impairment losses recognised in the statement of profit or loss	3,214	–	–	3,214
Depreciation and amortisation				
Unallocated				24
Segment	122,855	–	–	122,855
Capital expenditure*				
Unallocated				62
Segment	83,662	106,873	–	190,535

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and other intangible assets.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Nine months ended 30 September 2013	Park operations RMB'000	Property development and holding RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	590,114	147,046	42,008	779,168
Intersegment sales	–	–	–	–
Total revenue	590,114	147,046	42,008	779,168
Reconciliations:				
Elimination of intersegment sales				–
Revenue from continuing operations				779,168
Segment results	328,689	63,187	974	392,850
Reconciliations:				
Unallocated income				211,884
Unallocated expenses				(146,949)
Finance costs				(282,105)
Profit before tax				175,680
30 September 2013				
Segment assets	2,222,790	2,423,653	–	4,646,443
Reconciliations:				
Corporate and other unallocated assets				3,002,274
Total assets				7,648,717
Segment liabilities	–	–	8,593	8,593
Reconciliations:				
Elimination of intersegment payables				–
Corporate and other unallocated liabilities				6,452,692
Total liabilities				6,461,285
Nine months ended 30 September 2013				
Other segment information				
Depreciation and amortisation				
Unallocated				19
Segment	93,541	–	–	93,541
Capital expenditure*				
Unallocated				–
Segment	117,018	102,933	–	219,951

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Nine months ended 30 September 2012 (unaudited)	Park operations RMB'000	Property development and holding RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	512,693	122,116	5,111	639,920
Intersegment sales	3,468	–	–	3,468
Total revenue	516,161	122,116	5,111	643,388
Reconciliations:				
Elimination of intersegment sales				(3,468)
Revenue from continuing operations				639,920
Segment results	247,484	56,010	206	303,700
Reconciliations:				
Unallocated income				159,414
Unallocated expenses				(163,238)
Finance costs				(229,097)
Profit before tax				70,779
Other segment information				
Impairment losses recognised in the statement of profit or loss	3,214	–	–	3,214
Depreciation and amortisation				
Unallocated				18
Segment	89,703	–	–	89,703
Capital expenditure*				
Unallocated				57
Segment	73,808	73,128	–	146,936

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and other intangible assets.

Information about major customers

No information about major customers presented as no single customer contributes to over 10% of the Group's revenue for the years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2012 and 2013.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sales of tickets for entertainment theme park operation, and the sales of goods for restaurant and store operations, and income from hotel operations, and the sales of properties, and gross rental income received and receivable from investment properties, an appropriate proportion of contract revenue of construction contracts for the Relevant Periods, net of business tax and other surcharges.

		Year ended 31 December			Nine months ended 30 September	
	Notes	2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue						
Tickets sales		357,073	489,248	577,353	470,118	542,013
Property sales		397,793	133,002	230,305	105,516	125,533
Food and beverage sales		21,163	28,066	33,373	27,269	30,574
Sale of merchandise		8,024	19,036	22,681	15,306	17,527
Rental income	*7*	15,159	13,945	19,789	16,600	21,513
Construction contracts		–	–	3,480	3,477	40,212
Income from hotel operations		–	434	2,033	1,634	1,796
		799,212	683,731	889,014	639,920	779,168
Other income						
Government grants	*33*	11,793	18,642	17,511	13,644	8,949
Interest income	*7*	1,173	569	547	267	3,398
Interest income from related companies	*7*	–	31,816	123,738	74,019	123,057
Income from insurance claims		10,037	5,244	7,757	6,198	7,164
Commission income		3,994	–	–	–	–
Others		987	1,206	1,297	888	4,311
		27,984	57,477	150,850	95,016	146,879
Gains						
Fair value gains/(losses) on investment properties	*15*	7,234	(15,716)	143,149	49,284	56,067
Gain on disposal of items of property, plant and equipment		–	–	11,765	11,443	–
Gain on revaluation upon reclassification from properties under development to investment properties	*21*	46,716	122,029	3,551	3,551	–
Gain on revaluation upon reclassification from completed properties held for sale	*20*	–	–	–	–	8,938
Others		–	–	120	120	–
		53,950	106,313	158,585	64,398	65,005
		81,934	163,790	309,435	159,414	211,884

II. NOTES TO THE FINANCIAL INFORMATION (continued)

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cost of properties sold	20	202,452	89,892	121,805	66,106	83,859
Cost of merchandise goods sold		5,472	14,339	12,117	9,936	9,503
Cost of services provided		174,064	279,842	355,425	260,178	292,956
Depreciation	14	48,910	84,628	112,893	82,822	85,612
Amortisation of prepaid land lease payments	16	10,062	9,968	9,962	6,881	7,929
Direct operating expenses arising on rental earning properties		7	355	445	–	48
Amortisation of intangible assets	17	15	39	24	18	19
Provision/(reversal of provision) for impairment of completed properties held for sale	20	6,642	(6,642)	–	–	–
Provision/(reversal of provision) for inventories	23	2,009	96	(363)	(262)	(695)
Impairment of trade receivables	24	–	–	3,214	3,214	–
Impairment/(reversal) of other receivables	25	10,531	(1,113)	–	–	–
Minimum lease payments under operating leases in respect of properties		100	3,649	2,346	1,830	1,849
Foreign exchange differences, net		–	–	2,173	–	(242)
Employee benefit expense (excluding directors' remuneration):						
Wages and salaries		44,496	95,521	110,877	61,190	62,892
Bonuses		5,097	7,022	12,758	1,308	1,937
Retirement benefit scheme contribution		4,100	10,433	12,789	8,367	8,955
		53,693	112,976	136,424	70,865	73,784
Fair value (gains)/losses on investment properties	15	(7,234)	15,716	(143,149)	(49,284)	(56,067)
Gain on revaluation upon reclassification from properties under development to investment properties	21	(46,716)	(122,029)	(3,551)	(3,551)	–
Gain on revaluation upon reclassification from completed properties held for sale to investment properties	20	–	–	–	–	(8,938)
Rental income	6	(15,159)	(13,945)	(19,789)	(16,600)	(21,513)
Interest income	6	(1,173)	(569)	(547)	(267)	(3,398)
Interest income from related companies	6	–	(31,816)	(123,738)	(74,019)	(123,057)
Loss/(gain) on disposal of items of property, plant and equipment		2,093	959	(11,765)	(11,443)	42

II. NOTES TO THE FINANCIAL INFORMATION (continued)

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on bank loans and other borrowings	90,082	175,365	358,357	273,526	334,253
Interest on finance leases	–	–	11,271	8,932	10,955
Total interest expenses on financial liabilities not at fair value through profit or loss	90,082	175,365	369,628	282,458	345,208
Less: Interest capitalised	(37,864)	(33,132)	(68,332)	(53,361)	(63,103)
	52,218	142,233	301,296	229,097	282,105

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kinds	–	–	–	–	60
Performance related bonuses*	–	–	–	–	–
Retired benefit scheme contributions	–	–	–	–	–
	–	–	–	–	60
	–	–	–	–	60

(a) Independent non-executive directors

Mr. Fang Hongxing, Mr. Wei Xiaoan and Mr. Sun Jianyi were appointed as the independent non-executive directors of the Company on 23 February 2014. There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010						
Executive directors:						
Mr. Wang Xuguang	–	–	–	–	–	–
Mr. Zhao Wenjing	–	–	–	–	–	–
Mr. Qu Naiqiang	–	–	–	–	–	–
	–	–	–	–	–	–
Non-executive directors:						
Mr. Qu Naijie	–	–	–	–	–	–
Mr. Makoto Inoue	–	–	–	–	–	–
Mr. Yuan Bing	–	–	–	–	–	–
	–	–	–	–	–	–
Year ended 31 December 2011						
Executive directors:						
Mr. Wang Xuguang	–	–	–	–	–	–
Mr. Zhao Wenjing	–	–	–	–	–	–
Mr. Qu Naiqiang	–	–	–	–	–	–
	–	–	–	–	–	–
Non-executive directors:						
Mr. Qu Naijie	–	–	–	–	–	–
Mr. Makoto Inoue	–	–	–	–	–	–
Mr. Yuan Bing	–	–	–	–	–	–
	–	–	–	–	–	–
Year ended 31 December 2012						
Executive directors:						
Mr. Wang Xuguang	–	–	–	–	–	–
Mr. Zhao Wenjing	–	–	–	–	–	–
Mr. Qu Naiqiang	–	–	–	–	–	–
	–	–	–	–	–	–
Non-executive directors:						
Mr. Qu Naijie	–	–	–	–	–	–
Mr. Makoto Inoue	–	–	–	–	–	–
Mr. Yuan Bing	–	–	–	–	–	–
	–	–	–	–	–	–
Nine months ended 30 September 2013						
Executive directors:						
Mr. Wang Xuguang	–	–	–	–	–	–
Mr. Zhao Wenjing	–	60	–	–	–	60
Mr. Qu Naiqiang	–	–	–	–	–	–
	–	60	–	–	–	60
Non-executive directors:						
Mr. Qu Naijie	–	–	–	–	–	–
Mr. Makoto Inoue	–	–	–	–	–	–
Mr. Yuan Bing	–	–	–	–	–	–
	–	–	–	–	–	–

II. NOTES TO THE FINANCIAL INFORMATION (continued)

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended 30 September 2012 (unaudited)						
Executive directors:						
Mr. Wang Xuguang	–	–	–	–	–	–
Mr. Zhao Wenjing	–	–	–	–	–	–
Mr. Qu Naiqiang	–	–	–	–	–	–
	–	–	–	–	–	–
Non-executive directors:						
Mr. Qu Naijie	–	–	–	–	–	–
Mr. Makoto Inoue	–	–	–	–	–	–
Mr. Yuan Bing	–	–	–	–	–	–
	–	–	–	–	–	–

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

(c) Five highest paid employees

Details of the remuneration of the five highest paid employees for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kinds	1,136	1,120	1,163	872	1,165
Performance related bonuses	510	526	574	–	–
Retirement benefit scheme contributions	76	137	133	100	116
	1,722	1,783	1,870	972	1,281

The remuneration of all the non-director and non-chief executive highest paid employees fell within the band of nil to RMB1,000,000.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

10. INCOME TAX

Provision for PRC corporate income tax has been provided at the applicable income tax rate of 25% for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 on the assessable profits of the Group's subsidiaries in Mainland China.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the "LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

Income tax in the combined statement of profit or loss represents:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Current – Mainland China:					
Charge for the year/period	88,860	20,059	42,335	36,911	34,376
LAT	44,609	13,061	11,154	15	7,342
Deferred tax *(note 19)*	(21,850)	37,470	54,682	4,932	29,572
Total tax charge for the year/period	111,619	70,590	108,171	41,858	71,290

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Profit before tax	294,729	116,080	187,044	70,779	175,680
At the statutory income tax rate	73,682	29,020	46,761	17,695	43,920
Tax losses not recognised	8,819	37,937	51,158	18,018	22,568
Tax losses utilised from previous periods	(6,261)	(6,924)	(407)	–	–
Income not subject to tax	–	–	(10,605)	(7,646)	(9,838)
Expenses not deductible for tax	1,922	761	12,899	13,781	9,133
Sub-total	78,162	60,794	99,806	41,848	65,783
Provision for LAT	44,609	13,061	11,154	15	7,342
Tax effect on LAT	(11,152)	(3,265)	(2,789)	(5)	(1,835)
Tax charge for the year/period	111,619	70,590	108,171	41,858	71,290

II. NOTES TO THE FINANCIAL INFORMATION (continued)

10. INCOME TAX (continued)

Tax payables in the combined statement of financial position represent:

Tax payables

	31 December			30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
PRC corporate income tax	249,647	239,355	184,648	199,312
LAT	48,502	59,066	67,100	37,327
	298,149	298,421	251,748	236,639

11. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Interim	–	–	–	–	–
Proposal final	66,860	9,572	6,653	6,653	–
	66,860	9,572	6,653	6,653	–

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the period from 2 November 2011 (date of incorporation) to 31 December 2011, the year ended 31 December 2012 and the nine months ended 30 September 2012 and 2013 amounted to RMB57,000, RMB13,957,000, RMB11,474,000 and RMB1,142,000, respectively, which has been dealt with in the financial statements of the Company.

13. EARNINGS/(LOSS) PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful as the number of shares as at the end of each of the Relevant Periods is different from the number of shares immediately after the completion of the global offering as more fully explained in the section of "Share Capital" in the Prospectus.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Park and other buildings	Machinery	Motor vehicles	Office equipment and furniture	Live animals	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2010	636,182	335,809	14,892	52,167	65,691	534,803	1,639,544
Additions	909	1,733	4,245	5,930	13,840	719,761	746,418
Transfers	657,940	206,828	–	–	–	(864,768)	–
Disposals	(555)	(1,261)	(411)	(54)	(3,727)	(4,878)	(10,886)
Disposals of a subsidiary *(note 37)*	(365,213)	(69,944)	(3,110)	(15,185)	–	(176,149)	(629,601)
At 31 December 2010 and 1 January 2011	929,263	473,165	15,616	42,858	75,804	208,769	1,745,475
Additions	376,111	56,708	4,469	3,901	36,875	152,300	630,364
Transfers	281,809	62,945	–	1,903	–	(346,657)	–
Disposals	–	–	(667)	(292)	(1,670)	–	(2,629)
At 31 December 2011 and 1 January 2012	1,587,183	592,818	19,418	48,370	111,009	14,412	2,373,210
Additions	49,299	4,296	687	2,060	16,607	5,244	78,193
Transfers	1,549	859	–	150	–	(2,558)	–
Disposals	(20,000)	–	(260)	(477)	(4,322)	–	(25,059)
At 31 December 2012 and 1 January 2013	1,618,031	597,973	19,845	50,103	123,294	17,098	2,426,344
Additions	91,158	6,883	566	2,057	6,761	9,593	117,018
Transfers	1,226	–	–	–	–	(1,226)	–
Disposals	–	(1,182)	(305)	(76)	(5,233)	–	(6,796)
At 30 September 2013	1,710,415	603,674	20,106	52,084	124,822	25,465	2,536,566
Accumulated depreciation							
At 1 January 2010	(62,363)	(219,277)	(8,736)	(32,650)	(46,756)	–	(369,782)
Depreciation for the year	(15,390)	(19,128)	(1,900)	(1,725)	(10,767)	–	(48,910)
Disposals	(865)	1,261	372	48	2,696	–	3,512
Disposals of a subsidiary *(note 37)*	4,313	3,584	984	1,011	–	–	9,892
At 31 December 2010 and 1 January 2011	(74,305)	(233,560)	(9,280)	(33,316)	(54,827)	–	(405,288)
Depreciation for the year	(34,157)	(26,941)	(2,319)	(4,064)	(17,147)	–	(84,628)
Disposals	–	–	293	281	1,096	–	1,670
At 31 December 2011 and 1 January 2012	(108,462)	(260,501)	(11,306)	(37,099)	(70,878)	–	(488,246)
Depreciation for the year	(46,512)	(38,105)	(2,574)	(3,541)	(22,161)	–	(112,893)
Disposals	13,583	–	260	461	2,773	–	17,077
At 31 December 2012 and 1 January 2013	(141,391)	(298,606)	(13,620)	(40,179)	(90,266)	–	(584,062)
Depreciation for the period	(30,935)	(34,653)	(1,279)	(2,873)	(15,872)	–	(85,612)
Disposals	–	1,163	166	56	4,833	–	6,218
At 30 September 2013	(172,326)	(332,096)	(14,733)	(42,996)	(101,305)	–	(663,456)
Net carrying amount							
At 31 December 2010	854,958	239,605	6,336	9,542	20,977	208,769	1,340,187
At 31 December 2011	1,478,721	332,317	8,112	11,271	40,131	14,412	1,884,964
At 31 December 2012	1,476,640	299,367	6,225	9,924	33,028	17,098	1,842,282
At 30 September 2013	1,538,089	271,578	5,373	9,088	23,517	25,465	1,873,110

II. NOTES TO THE FINANCIAL INFORMATION (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's lands where the hotel buildings, parks and other buildings are situated in Mainland China are held under the medium term lease.

Included in the property, plant and equipment as at 31 December 2010, 2011 and 2012 and 30 September 2013 were certain machinery with net carrying amounts of nil, RMB167,606,000, RMB154,152,000 and RMB213,782,060, respectively, for which were held under finance leases.

The Group's property, plant and equipment with carrying values of RMB371,006,000, RMB1,037,242,000, RMB1,237,807,000 and RMB1,182,791,000 were pledged to secure banking facilities granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 31).

15. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2010	493,459	–	493,459
Additions	19,800	–	19,800
Reclassification from properties under development *(note 21)*	122,398	–	122,398
Disposal of a subsidiary *(note 37)*	(182,124)	–	(182,124)
Net gain from fair value adjustments *(note 6)*	7,234	–	7,234
At 31 December 2010 and 1 January 2011	460,767	–	460,767
Additions	2,949	–	2,949
Reclassification from properties under development *(note 21)*	–	424,000	424,000
Net loss from fair value adjustments *(note 6)*	(15,716)	–	(15,716)
At 31 December 2011 and 1 January 2012	448,000	424,000	872,000
Additions	1,303	105,570	106,873
Reclassification from properties under development *(note 21)*	20,978	–	20,978
Transfer upon completion	203,294	(203,294)	–
Net gains/(loss) from fair value adjustments *(note 6)*	145,425	(2,276)	143,149
At 31 December 2012 and 1 January 2013	819,000	324,000	1,143,000
Additions	62,996	39,937	102,933
Reclassification from completed properties held for sale *(note 20)*	48,000	–	48,000
Transfer upon completion	363,937	(363,937)	–
Net gains from fair value adjustments *(note 6)*	56,067	–	56,067
At 30 September 2013	1,350,000	–	1,350,000

The Group's investment properties are situated on the lands in Mainland China that are held under medium term lease terms. Certain investment properties are leased to third parties under operating lease, for the summary details of which are included in note 40(a).

In 2010, 2011 and 2012, the Group transferred certain properties under development to investment properties. The properties were revalued at the date of change in use by Censere (Far East) Limited, Debenham Tie Leung Shenzhen Valuation Company Ltd – Beijing Branch ("DTZ") and DTZ, independent professional valuers in year ended 31 December 2010, 2011 and 2012, respectively. The difference between the fair value of the property at that date and its then carrying amount of RMB46,716,000, RMB122,029,000 and RMB3,551,000 was recognised in the statement of profit or loss for the years ended 31 December 2010, 2011 and 2012, respectively.

During the nine months ended 30 September 2013, the Group transferred certain completed properties held for sale to investment properties. The properties were revalued at the date of change in use by DTZ. The difference between the fair value of the property at the date and its then carrying amount of RMB8,938,000 was recognised in the statement of profit or loss during the nine months ended 30 September 2013.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

15. INVESTMENT PROPERTIES (continued)

The Group's investment properties as at 31 December 2010 were revalued by Censere (Far East) Limited, independent professional valuers, on an open market, existing use basis.

The Group's investment properties as at 31 December 2011 and 2012 and 30 September 2013 were revalued by DTZ, on an open market, existing use basis.

Included in the completed investment properties were certain buildings with carrying values of RMB256,421,000, RMB130,000,000, RMB321,000,000 and RMB336,000,000, for which the property certificates have not been obtained as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

The Group's investment properties with carrying values of RMB204,346,000, RMB496,000,000, RMB393,116,000 and RMB530,116,000 were pledged to secure general banking facilities granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 31).

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Group pledged their investment properties with carrying values of RMB151,980,000, RMB30,116,000, nil and nil, respectively, to secure general banking facilities granted to 海昌企業發展有限公司 ("Haichang Corporation Development"), a company of which Mr. Qu has beneficial interests as equity holder (note 42(a)(xii)).

Fair value hierarchy

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

	Fair value measurement as at 31 December 2010 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	460,767	460,767

	Fair value measurement as at 31 December 2011 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	872,000	872,000

	Fair value measurement as at 31 December 2012 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	1,143,000	1,143,000

II. NOTES TO THE FINANCIAL INFORMATION (continued)

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Fair value measurement as at 31 September 2013 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	1,350,000	1,350,000

During the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	493,459	460,767	872,000	1,143,000
Additions	19,800	2,949	106,873	102,933
Reclassification from properties under development	122,398	424,000	20,978	–
Reclassification from completed properties held for sale	–	–	–	48,000
Disposal of subsidiaries	(182,124)	–	–	–
Net gain/(loss) from fair value adjustments recognised in other income in profit or loss	7,234	(15,716)	143,149	56,067
Carrying amount at 31 December/30 September	460,767	872,000	1,143,000	1,350,000

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

Commercial properties	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Year ended 31 December 2010	Income method	Market month rental rate (RMB/Square meter ("sq.m"))	45-67.5
		Long term vacancy rate	8.3%
		Capitalization rate	3%-4%
	Market comparison method	Market unit sale rate (RMB/Sq.m)	12,500-14,650

II. NOTES TO THE FINANCIAL INFORMATION (continued)

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Commercial properties	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Year ended 31 December 2011	Income method	Market month rental rate (RMB/sq.m.)	42-113
		Rent growth (per annual)	2%-3%
		Long term vacancy rate	5%
		Capitalization rate	6%-7%
	Market comparison method	Market unit sale rate (RMB/Sq.m)	7,799-20,800
Year ended 31 December 2012	Income method	Market month rental rate (RMB/sq.m.)	42-101
		Rent growth (per annual)	2%-3%
		Long term vacancy rate	5%
		Capitalization rate	6%-7%
	Market comparison method	Market unit sale rate (RMB/Sq.m)	7,734-21,400
Nine months ended 30 September 2013	Income method	Market month rental rate (RMB/sq.m.)	44-95
		Capitalization rate	4.5%-6.5%

Under the income method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

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

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

A significant increase (decrease) in the market unit sale rate would result in a significant increase (decrease) in fair value of the investment properties.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

16. PREPAID LAND LEASE PAYMENTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period	384,723	351,818	341,850	324,995
Additions	–	–	5,469	–
Disposal	–	–	(12,362)	–
Disposal of subsidiaries *(note 37)*	(22,843)	–	–	–
Amortised during the year/period	(10,062)	(9,968)	(9,962)	(7,929)
Carrying amount at end of year/period	351,818	341,850	324,995	317,066
Current portion included in prepayments, deposits and other receivables *(note 25)*	(9,716)	(9,644)	(9,957)	(9,924)
Non-current portion	342,102	332,206	315,038	307,142

The Group's leasehold lands are situated in Mainland China and are held under long term leases.

The leasehold interests in land of RMB153,114,000, RMB214,792,000, RMB208,481,000 and RMB201,332,000 were pledged for certain borrowings granted to the Group as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 31).

The Group pledged their leasehold interests in land of RMB71,814,000, nil, nil and nil for banking facilities granted to Haichang Corporation Development as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 42(a)(xii)).

The Group experienced delays in the commencement of construction of certain parcels of land in Mainland China with carrying values at RMB46,027,000, RMB44,547,000, RMB43,067,000 and RMB42,129,000 at 31 December 2010, 2011 and 2012 and 30 September 2013. Under the relevant PRC laws, the Group may be subject to penalties from relevant government authorities as a result of delay in commencement of construction. Having taken into account of the Company's legal counsel advice, the directors of the Company are of opinion that the payment of penalty is remote and no provision is required. As at 30 September 2013, the construction of the relevant park and ancillary facilities on the parcels of the land were completed.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

17. INTANGIBLE ASSETS

Intangible assets comprised computer software with useful lives of 5-10 years. The movements in intangible assets are analysed as follows:

	Computer software
	RMB'000
31 December 2010	
At 1 January 2010, net of accumulated amortisation	658
Additions	23
Disposal of subsidiaries *(note 37)*	(631)
Amortisation	(15)
At 31 December 2010, net of accumulated amortisation	35
At 31 December 2010	
Cost	73
Accumulated amortisation	(38)
Net carrying amount	35
31 December 2011	
At 1 January 2011, net of accumulated amortisation	35
Additions	89
Amortisation	(39)
At 31 December 2011, net of accumulated amortisation	85
At 31 December 2011	
Cost	162
Accumulated amortisation	(77)
Net carrying amount	85
31 December 2012	
At 1 January 2012, net of accumulated amortisation	85
Additions	62
Amortisation	(24)
At 31 December 2012, net of accumulated amortisation	123
At 31 December 2012	
Cost	224
Accumulated amortisation	(101)
Net carrying amount	123
30 September 2013	
At 1 January 2013, net of accumulated amortisation	123
Amortisation	(19)
At 30 September 2013, net of accumulated amortisation	104
At 30 September 2013	
Cost	224
Accumulated amortisation	(120)
Net carrying amount	104

II. NOTES TO THE FINANCIAL INFORMATION (continued)

18. AVAILABLE-FOR-SALE INVESTMENTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank structured products, at fair value	–	–	180,182	200

The balance represented a principal-protected structured products with maturity within one year.

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Unlisted equity investments, at cost	19,170	19,170	19,170	19,170

The Group holds a 9% equity interest in an unlisted company, 成都忠捷置業有限公司, in Mainland China with registered capital of RMB213,000,000. The principal business of 成都忠捷置業有限公司 is the development and sale of properties.

The unlisted equity investments were stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

19. DEFERRED TAX ASSETS/LIABILITIES

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

Deferred tax liabilities

	Interest capitalised	Rental income recognised	Depreciation allowance of investment properties	Depreciation allowance in excess of related depreciation	Change in fair value of investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2010	4,676	2,030	3,090	224	50,088	60,108
Charged/(credited) to the statement of profit or loss *(note 10)*	9,466	998	1,435	(224)	13,488	25,163
As at 31 December 2010 and 1 January 2011	14,142	3,028	4,525	–	63,576	85,271
Charged to the statement of profit or loss *(note 10)*	7,024	22	1,830	–	27,376	36,252
As at 31 December 2011 and 1 January 2012	21,166	3,050	6,355	–	90,952	121,523
Charged/(credited) to the statement of profit or loss *(note 10)*	16,837	(766)	2,042	6,246	36,675	61,034
As at 31 December 2012 and 1 January 2013	38,003	2,284	8,397	6,246	127,627	182,557
Charged to the statement of profit or loss *(note 10)*	2,934	390	2,107	940	16,252	22,623
As at 30 September 2013	40,937	2,674	10,504	7,186	143,879	205,180

II. NOTES TO THE FINANCIAL INFORMATION (continued)

19. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets

	Tax losses	Advances from customers on presale of properties	Government grants	Impairment of assets	Accruals and other payables	Depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2010	13,928	18,140	161,894	13,490	8,747	601	216,800
Credited/(charged) to the statement of profit or loss *(note 10)*	(7,245)	1,995	41,395	501	9,881	486	47,013
Disposal of subsidiaries *(note 37)*	(6,683)	(15,951)	(43,644)	(11,829)	(2,538)	–	(80,645)
As at 31 December 2010 and 1 January 2011	–	4,184	159,645	2,162	16,090	1,087	183,168
Credited/(charged) to the statement of profit or loss *(note 10)*	–	4,046	(7,881)	(1,635)	4,349	(97)	(1,218)
As at 31 December 2011 and 1 January 2012	–	8,230	151,764	527	20,439	990	181,950
Credited/(charged) to the statement of profit or loss *(note 10)*	11,242	(1,905)	(2,759)	(91)	413	(548)	6,352
As at 31 December 2012 and 1 January 2013	11,242	6,325	149,005	436	20,852	442	188,302
Credited/(charged) to the statement of profit or loss *(note 10)*	889	(2,785)	288	(174)	(5,136)	(31)	(6,949)
As at 30 September 2013	12,131	3,540	149,293	262	15,716	411	181,353

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

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the combined statement of financial position	129,854	90,609	70,753	54,769
Net deferred tax liabilities recognised in the combined statement of financial position	(31,957)	(30,182)	(65,008)	(78,596)
	97,897	60,427	5,745	(23,827)

II. NOTES TO THE FINANCIAL INFORMATION (continued)

19. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets have not been recognised in respect of the following items:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses not recognised for deferred tax assets	35,276	151,748	202,564	90,272

In accordance with the PRC laws and regulations, tax losses arising in Mainland China could be carried forward for a period of five years to offset against its future taxable profits.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

At 31 December 2010,2011,2012 and 30 September 2013, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in mainland China. Pursuant to a resolution of the board of the directors of the Company, these subsidiaries will not distribute such earnings up to 31 December 2013 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately nil, RMB73,720,000, RMB88,575,000, RMB137,990,000, RMB209,074,000 as at 31 December 31 2010, 2011 and 2012 and 30 September 2013, respectively.

20. COMPLETED PROPERTIES HELD FOR SALE

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	201,081	504,332	416,011	470,871
Transfer from properties under development *(note 21)*	505,703	1,571	176,665	1,948
Reclassification to investment properties *(note 15)*	–	–	–	(48,000)
Fair value change on completed properties held for sale	–	–	–	8,938
Recognised in the current year/period *(note 7)*	(195,810)	(96,534)	(121,805)	(83,859)
	510,974	409,369	470,871	349,898
(Provision)/reversal of provision for impairment of properties	(6,642)	6,642	–	–
Carrying amount at end of year/period	504,332	416,011	470,871	349,898

II. NOTES TO THE FINANCIAL INFORMATION (continued)

20. COMPLETED PROPERTIES HELD FOR SALE (continued)

The movements in provision for impairment of completed properties held for sale are as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	–	6,642	–	–
Provision for/(reversal of) impairment *(note 7)*	6,642	(6,642)	–	–
Carrying amount at 31 December/ 30 September	6,642	–	–	–

21. PROPERTIES UNDER DEVELOPMENT

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	2,316,089	622,057	574,682	648,047
Additions	400,328	256,167	267,753	77,656
Fair value change on properties under development reclassified to investment properties *(note 6)*	46,716	122,029	3,551	–
Reclassification to investment properties *(note 15)*	(122,398)	(424,000)	(20,978)	–
Transfer to completed properties held for sale *(note 20)*	(505,703)	(1,571)	(176,665)	(1,948)
Disposal of subsidiaries *(note 37)*	(1,512,975)	–	(296)	–
Carrying amount at 31 December/ 30 September	622,057	574,682	648,047	723,755

The properties under development are located in Mainland China with lease terms ranging from 40 to 70 years.

Certain of the Group's properties under development with carrying values of RMB563,173,000, RMB28,380,000, RMB65,194,000 and RMB82,441,000 were pledged to secure bank loans granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 31).

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the Group pledged their properties under development amounting to RMB76,189,000, RMB39,367,000, RMB496,582,000 and RMB296,977,000, respectively, for the Company's loans granted to Haichang Corporation Development at nil consideration (note 42(a)(xii)).

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the Group pledged their properties under development amounting to nil, nil, nil and RMB287,224,000, respectively, for the Company's loans granted to 大連海昌集團有限公司 ("Haichang Group"), a company of which Mr. Qu has beneficial interests as equity holder at nil consideration (note 42(a)(xii)).

II. NOTES TO THE FINANCIAL INFORMATION (continued)

22. CONSTRUCTION CONTRACTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Gross amounts due to a contract customer.	–	–	(6,212)	(8,593)

	Year ended 31 December			Nine months ended 30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date . . .	–	–	8,788	48,973
Less: Progress billings	–	–	(15,000)	(57,566)
	–	–	(6,212)	(8,593)

23. INVENTORIES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Merchandise goods	9,162	9,491	8,576	9,017
Provision for impairment	(2,009)	(2,105)	(1,742)	(1,047)
	7,153	7,386	6,834	7,970

24. TRADE AND BILLS RECEIVABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	113,808	16,618	21,169	22,147
Bills receivable	200	200	–	–
Less: provision for doubtful debts.	–	–	(3,214)	(3,214)
	114,008	16,818	17,955	18,933

The Group's trading terms with its institutional customers and lessee are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

24. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, net of provision for doubtful debts, is as follows:

	31 December			30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 90 days	88,942	802	3,944	11,918
Over 90 days and within one year	8,311	4,448	4,472	583
Over one year	16,755	11,568	9,539	6,432
	114,008	16,818	17,955	18,933

The movements in provision for impairment of trade receivables are as follows:

	31 December			30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January	–	–	–	3,214
Impairment losses recognised *(note 7)*	–	–	3,214	–
	–	–	3,214	3,214

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	31 December			30 September
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Neither past due nor impaired	95,756	11,370	14,536	18,764
Past due within one year	12,216	4,913	3,378	126
Past due over one year	6,036	535	41	43
	114,008	16,818	17,955	18,933

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The carrying amount of the trade and bills receivables approximates to their fair value due to their relatively short maturity term.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	35,422	46,611	26,563	44,158
Deposits and other receivables	28,024	43,084	54,148	50,385
Current portion of prepaid land lease payments *(note 16)*	9,716	9,644	9,957	9,924
	73,162	99,339	90,668	104,467
Less: non-current portion	(30,884)	(40,322)	(18,247)	(34,568)
	42,278	59,017	72,421	69,899

The movements in provision for impairment of other receivables are as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	1,113	11,644	10,531	10,531
Provision/(reversal of provision) for impairment *(note 7)*	10,531	(1,113)	–	–
At 31 December/30 September	11,644	10,531	10,531	10,531

The carrying amount of deposits and other receivables approximates to their fair value due to their relatively short maturity term.

26. DUE FROM/TO RELATED COMPANIES/PARTIES/A NON-CONTROLLING EQUITY HOLDER

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the amounts due from Haichang Group were nil, RMB560,000,000, RMB1,030,000,000 and RMB530,000,000 which are unsecured, bear interest ranged from 7.9% to 16.9% per annum (note 42 (a)(ix)). As at 31 December 2012, the amounts of receivables of RMB530,000,000, RMB200,000,000, RMB100,000,000 and RMB200,000,000 from Haichang Group are due to be repaid on 30 July 2013, 17 June 2014, 8 July 2014 and 25 November 2014, respectively. During the nine months ended 30 September 2013, amounted to RMB500,000,000 receivable from Haichang Group was settled and an amount of RMB530,000,000 receivable from Haichang Group has been extended to 4 June 2014, which was subsequently settled.

As at 31 December 2012, an amount of RMB700,000,000 due from Haichang Corporation Development which bore no interest, unsecured and due to be repaid in March 2013 and the repayment date was subsequently extended to December 2013, which was subsequently settled.

Except the above, amounts with related companies/parties/a non-controlling equity holder are interest-free, unsecured and repayable on demand. The carrying amounts of these balances approximated to their fair values due to their relatively short maturity term.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

The Group

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	109,649	119,177	406,326	592,997
Denominated in RMB	109,649	119,177	375,776	305,663
Denominated in US$	–	–	30,550	287,334
Cash and bank balances	109,649	119,177	406,326	592,997

The Company

	31 December		30 September
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and bank balances	–	2,550	684
Denominated in US$	–	2,550	684

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

An analysis of the pledged bank balances and cash and cash equivalents is as follows:

The Group

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	109,649	119,177	406,326	592,997
Time deposits with original maturity of less than three months	–	–	–	–
	109,649	119,177	406,326	592,997
Less: pledged bank balances	2,582	3,632	2,286	2,291
Cash and cash equivalents	107,067	115,545	404,040	590,706

Bank deposits of RMB1,101,000, RMB905,000, RMB207,000 and RMB207,000 were pledged as security for bill facilities granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 28). Bank deposits of RMB532,000, RMB534,000, RMB537,000 and RMB538,000 at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively were pledged as security for the Group's bank borrowings (note 31). Bank deposits of RMB949,000, RMB2,193,000, RMB1,542,000 and RMB1,546,000 were pledged as security for bank loans, as guarantee deposits in respect of mortgage facilities granted to purchasers of the Group's properties as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS (continued)

The Company

	31 December		30 September
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and bank balances	–	2,550	684

Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and bank balances and pledged bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged bank balances approximate to their fair values.

28. TRADE AND BILLS PAYABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	619,770	414,440	322,723	217,052
over 1 year	14,919	149,940	170,022	158,238
	634,689	564,380	492,745	375,290

The bills payables were secured by the pledge of the Group's time deposits of RMB1,101,000, RMB905,000, RMB207,000 and RMB207,000 at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 27).

The trade payables are interest-free and normally settled on 30 to 180 days' terms.

The fair values of trade and bills payables approximates to their carrying amount due to their relatively short maturity term.

29. OTHER PAYABLES AND ACCRUALS

The Group

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	133,359	228,666	169,331	172,224
Accruals	4,039	1,370	5,208	2,322
	137,398	230,036	174,539	174,546

The Company

	31 December		30 September
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Other payables	57	57	56

All other payables are unsecured, interest-free and repayable on demand.

The fair value of other payables approximates to their carrying amount due to their relatively short maturity term.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

30. ADVANCES FROM CUSTOMERS

Advances from customers mainly represented sales proceeds received from buyers in connection with the Group's pre-sale properties.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables *(note 32)*	–	128,299	88,130	159,524
Others loans – unsecured *(note 42a(viii))*	–	660,000	583,000	–
Other loans – secured	61,460	561,460	1,301,800	934,948
Bank loans – secured	1,059,979	2,761,373	1,870,317	2,418,819
	1,121,439	4,111,132	3,843,247	3,513,291
Current:				
Finance lease payables *(note 32)*	–	40,760	51,315	103,859
Others loans – unsecured *(note 42a(viii))*	–	660,000	583,000	–
Other loans – secured	61,460	61,460	–	143,334
Bank loans – secured	30,000	789,524	491,923	208,575
Current portion of non-current loans – secured	215,980	120,548	310,539	742,153
	307,440	1,672,292	1,436,777	1,197,921
Non-current:				
Finance lease payables *(note 32)*	–	87,539	36,815	55,665
Other loans - secured	–	500,000	1,301,800	791,614
Bank loans – secured	813,999	1,851,301	1,067,855	1,468,091
	813,999	2,438,840	2,406,470	2,315,370
Repayable:				
Within one year or on demand	307,440	1,672,292	1,436,777	1,197,921
In the second year	105,480	138,365	985,335	453,914
In the third to fifth years, inclusive	153,440	1,109,229	491,896	1,441,752
Over five years	555,079	1,191,246	929,239	419,704
	1,121,439	4,111,132	3,843,247	3,513,291

II. NOTES TO THE FINANCIAL INFORMATION (continued)

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(i) The Group's bank loans were secured by the pledges of the Group's assets with carrying values at the end of each of the Relevant Periods as follows:

		31 December			30 September
	Notes	2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment . .	*14*	371,006	1,037,242	1,237,807	1,182,791
Investment properties	*15*	204,346	496,000	393,116	530,116
Prepaid land lease payments . .	*16*	153,114	214,792	208,481	201,332
Properties under development . .	*21*	563,173	28,380	65,194	82,441
Pledged bank balances	*27*	532	534	537	538

In addition to the assets pledged above, Qingdao Park pledged its right for park operation and income received for certain borrowings amounting to RMB61,460,000, RMB61,460,000, nil and nil granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

Dalian Tourism pledged its equity interests in certain of its subsidiaries for certain borrowings amounting to nil, nil, RMB500,000,000 and nil granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

Tianjin Park pledged its right for park operation and income received for certain borrowings amounting to nil, RMB465,000,000, RMB406,000,000 and RMB363,700,000 granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

LHT pledged its right for park operation rights and income received for certain borrowings amounting to nil, RMB500,000,000, RMB500,000,000 and RMB500,000,000 granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

Yantai Park pledged its right for park operation rights and income received and Qingdao Park pledged its 100% equity interests and income from property rights for certain borrowings amounting to nil, nil, RMB200,000,000 and RMB188,772,000 granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

Qingdao Park pledged its trade receivables arising from sales from January 2010 to January 2025 for certain borrowings amounting to RMB693,020,000, RMB650,040,000, RMB600,060,000 and RMB575,070,000 granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. As at 31 December 2010, 2011 and 2012 and 30 September 2013, the related trade receivables amounted to RMB16,327,000, RMB11,573,000, RMB13,290,000 and RMB14,076,000, respectively.

(ii) Borrowings of nil, RMB100,000,000 and RMB590,000,000 and nil at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively, were secured by certain related companies' buildings and land lease interest (note 42 (a)(x)).

(iii) Certain related companies and Mr. Qu executed guarantees for certain borrowings amounting to RMB1,043,020,000, RMB1,725,000,000, RMB1,407,800,000 and RMB933,800,000 granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 42 (a)(xi)).

(iv) As at 31 December 2012 and 30 September 2013, a subsidiary of the Company had a long term borrowing of RMB550 million with a bank with a maturity date on 30 April 2018, which requires the Company's subsidiary to maintain a debt-to-assets ratio of not more than 75%. While the Company's subsidiary's debt-to-assets ratio was above 75% as at 31 December 2012 and 30 September 2013 and the company is entitled to demand accelerated repayment. The board of directors has passed written resolutions on 28 September 2013 to increase the registered capital of the Company's subsidiary in order to lower the latter's debt-to-assets ratio to a level below 75%. As at 31 December 2012 and 30 September 2013, the non-current bank loan amount was reclassified as current portion of bank and other borrowings.

Subsequent to 30 September 2013, the registered capital of the subsidiary was increased from RMB60 million to RMB460 million so that the debt-to-assets ratio was lowered below 75%. In addition, the subsidiary received a letter from the relevant bank in November 2013 confirming the compliance of the terms and conditions of the bank facility granted.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(v) As at 31 December 2012 and 30 September 2013, certain other non-current loans of RMB1,030,000,000 and RMB530,000,000 granted to the Group were applied and lent to Haichang Group at an approximately same interest rate (note 26).

All the Group's borrowings are denominated in RMB.

The carrying amounts of the Group's current interest-bearing bank and borrowings approximate to their fair values due to their short term maturity.

The carrying amount of long term borrowings approximates to their fair value because the interest rate is floating.

The bank and other borrowings balances of the Group bear interest at floating rates, except for bank and other borrowings of RMB1,043,020,000, RMB2,525,040,000, RMB2,106,060,000 and RMB1,470,692,000 at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively, bear interest at fixed rates

The effective interest rates of the Group's bank and other borrowings ranged as follows:

Year ended 31 December 2010	5.40% to 12.00%
Year ended 31 December 2011	6.12% to 15.00%
Year ended 31 December 2012	5.90% to 15.00%
Nine months ended 30 September 2013	6.55% to 15.10%

32. FINANCE LEASE PAYABLES

The Group carried out sale and lease back transactions for certain of its machinery to obtain bank loans. The sale and lease back are classified as finance leases and have remaining lease terms of three years.

	Minimum lease payments 31 December 2010	Present value of minimum lease payments 31 December 2010	Minimum lease payments 31 December 2011	Present value of minimum lease payments 31 December 2011	Minimum lease payments 31 December 2012	Present value of minimum lease payments 31 December 2012	Minimum lease payments 30 September 2013	Present value of minimum lease payments 30 September 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable:								
Within one year	–	–	47,462	40,760	62,844	51,315	126,776	103,859
In the second year	–	–	63,283	52,413	41,154	36,815	95,353	34,336
In the third year	–	–	41,702	35,126	–	–	35,107	21,329
Total minimum finance lease payments	–		152,447	128,299	103,998	88,130	257,236	159,524
Future finance charges	–		(24,148)		(15,868)		(97,712)	
Total net finance lease payables *(note 31)*	–		128,299		88,130		159,524	
Portion classified as current liabilities *(note 31)*	–		(40,760)		(51,315)		(103,859)	
Non-current portion *(note 31)*	–		87,539		36,815		55,665	

II. NOTES TO THE FINANCIAL INFORMATION (continued)

32. FINANCE LEASE PAYABLES (continued)

The fair value of the Group's finance lease payables approximated to nil, RMB128,401,000, RMB94,419,000 and RMB160,826,000 at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

The finance lease payables amounting to nil, RMB128,299,000, RMB88,130,000, RMB155,372,000 at 31 December 2010, 2011 and 2012 and 30 September 2013 were guaranteed by Haichang Group and Haichang Corporation Development (note 42(a)(xiii)).

33. GOVERNMENT GRANTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	594,763	619,634	607,053	597,017
Received during the year	176,482	6,061	7,475	9,557
Disposal of a subsidiaries *(note 37)*	(139,818)	–	–	
Recognised in profit or loss *(note 6)*	(11,793)	(18,642)	(17,511)	(8,949)
Carrying amount at end of year/period	619,634	607,053	597,017	597,625
Current	9,703	11,166	9,577	9,463
Non-current	609,931	595,887	587,440	588,162
	619,634	607,053	597,017	597,625

Government grants have been received either for the construction of certain items of property, plant and equipment, properties under development, investment properties or for business development of the Group subsidiaries'. There are no unfulfilled conditions and contingencies relating to these grants.

34. DEFERRED REVENUE

Deferred revenue represents the presale of parks' tickets.

35. ISSUED CAPITAL

Shares

		Number of ordinary shares		
	Notes	Nominal value of US$1 each	Nominal value of US$0.0001 each	US$
Authorised:				
Upon incorporation, 31 December 2011 and 1 January 2012	*1*	50,000	–	50,000
Subdivision	*2*	(50,000)	500,000,000	–
At 31 December 2012, 1 January 2013 and 30 September 2013		–	500,000,000	50,000

II. NOTES TO THE FINANCIAL INFORMATION (continued)

35. ISSUED CAPITAL (continued)

	Notes	Number of ordinary shares: Nominal value of US$1 each	Number of ordinary shares: Nominal value of US$0.0001 each	US$'000
Issued and fully paid				
Upon incorporation, 31 December 2011 and 1 January 2012	*1*	1	–	1
Subdivision	*2*	(1)	10,000	–
Issues of shares	*3*	–	114,381,996	11
At 31 December 2012 and 1 January 2013 and 30 September 2013		–	114,391,996	12

	31 December 2010	31 December 2011	31 December 2012	30 September 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid:				
Ordinary shares of US$1 each	–	–	–	–
Ordinary shares of US$0.0001 each	–	–	72	72

Notes:

1. The Company was incorporated with authorised share capital of US$50,000 divided into 50,000 shares of US$1 each.

2. By an ordinary resolution passed on 23 May 2012 by the board of directors, the authorised shares of the Company were sub-divided from US$1 into US$0.0001 each with the creation of additional 9,999 shares of US$0.0001 each in issue. The authorised share capital was increased to 500,000,000 shares of US$0.001 each.

3. On 19 July 2012, the Company issued 84,990,000 shares of US$0.0001 each at par to the shareholders of the Company for total consideration of approximately US$8,499 (equivalent to RMB54,000).

   On 19 July 2012, the Company issued 15,000,000 shares of US$0.0001 each at par to Camellia Investment Limited ("Orix Hong Kong"), a company incorporated in Hong Kong, for a total consideration of approximately US$1,500 (equivalent to RMB9,000).

   On 24 August 2012, the Company issued 14,391,996 shares of US$0.0001 each to Time Dynasty Limited ("Hony"), a company incorporated in the British Virgin Islands, for a total consideration of US$80,500,000 (equivalent to RMB509,605,000). The excess of consideration of US$80,499,000 (equivalent to RMB509,596,000) over the nominal value of US$1,000 of the Company's shares was credited to the share premium account.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RESERVES

Group

The amounts of the Group's reserves and the movements thereof are presented in the combined statement of changes in equity.

(a) Capital reserve

The amounts represents deemed contribution from equity holders less deemed distribution to equity holder, consideration paid by the Group to non-controlling equity holders over their then share of net assets of subsidiaries acquired and deemed dilution upon capital contribution by the non-controlling equity holders.

(b) Statutory reserves

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

(c) Deemed distribution to the equity holders

In May 2010, Haichang Tourism acquired 43.1% and 15.2% of equity interests of LHT from Haichang Group and Sea-rich Oil (Singapore) Pte. Ltd (a company of which Mr. Qu has an indirect beneficial interest as 97% equity holder), respectively, at a total consideration of RMB139,114,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In July 2010, Haichang Tourism acquired the entire equity interests of Qingdao Park from Haichang Corporation Development, at a consideration of RMB246,148,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In June 2010, Haichang Tourism acquired the entire equity interests of Friday Avenue from Haichang Group at a consideration of RMB30,000,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In October 2011, Haichang Tourism acquired the entire equity interests of Wuhan Park from 大連海昌房地產集團有限公司 ("Haichang Property Group," a company of which Mr. Qu has an indirect beneficial interest as equity holder) at a consideration of RMB60,000,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In November 2011, Haichang Tourism acquired the entire equity interests of Chengdu Park from Haichang Property Group at a consideration of RMB30,305,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In November 2011, Haichang Tourism Group acquired the entire equity interests of Yantai Park from Haichang Property Group at a consideration of RMB30,000,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RESERVES (continued)

Group (continued)

(c) Deemed distribution to the equity holders (continued)

In October 2011, Haichang Tourism acquired the entire equity interests of Tianjin Park from Haichang Property Group at a consideration of RMB203,415,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In July 2012, Haichang Asia acquired the entire equity interests in Haichang China from Sea-rich Oil (Singapore) Pte. Ltd at a consideration of RMB102,000,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In August 2012, Haichang China acquired the entire equity interests in Haichang Tourism Group from Haichang Corporation Development at a consideration of RMB10,000,000 and the consideration paid was recognised in equity directly as deemed distribution to the equity holders.

In September 2013, Haichang Tourism acquired 9% and 40% equity interests of 4D Cinema from Haichang Group and 大連聯運有限公司 ("Dalian Lianyun") at considerations of RMB1,800,000 and RMB8,000,000 and the considerations were recognised in equity directly as deemed distribution to the equity holders.

As at 31 December 2012 and 30 September 2013, the Group granted loans to Haichang Corporation Development at a below market interest rate which resulted in deemed distribution of RMB54,466,000, RMB54,466,000 and RMB39,351,000 upon discounting to net present value during the year ended 31 December 2012 and the nine months ended 30 September 2012 and 2013, respectively.

In January 2014, Haichang China entered into purchase and sales agreements in relation to purchases of certain properties which constituted as a business of property holding from 大連世博房地產開發有限公司 (a company of which Mr. Qu has an indirect beneficial interest as an equity holder) ("Shibo Business") and has been accounted for as a business combination under common control. The operating results of RMB155,000, RMB102,000, RMB310,000, RMB535,000 and RMB1,255,000 generated from operation of these properties for the year ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 was recognised in equity directly as deemed distribution to the equity holders, respectively.

The above transactions resulted in an aggregate deemed distribution to the equity holders of RMB415,417,000, RMB323,822,000, RMB166,776,000 and RMB50,406,000 for the years ended 31 December 2010, 2011 and 2012 and 30 September 2013 recognised in the capital reserve account.

(d) Deemed contribution from the equity holders

In January 2010, Qingdao Park disposed of Haichang Property Group to Haichang Group which resulted in the deemed contribution of RMB264,218,000 recognised in the capital reserve (note 37).

In February 2010, Haichang Corporation Development established Dalian Tourism Group. The capital injections made by Haichang Corporation Development amounting to RMB10,000,000 were regarded as deemed contributions in 2010.

In July 2011, Haichang Group established Shanghai Haichang. The capital injections made by Haichang Group amounting to RMB10,000,000 were regarded as deemed contributions in 2011.

In June 2012, Haichang China distributed a dividend of RMB7,000,000 to its then equity holder, Sea-rich Oil (Singapore) Pte. Ltd, which reinvested the amount as additional capital of Haichang China and was regarded as a deemed contribution by an equity holder.

In August 2012, the Group disposed of the entire equity interests in 三亞海昌旅業發展有限公司 ("Sanya Development") to Haichang Property Group at a consideration of RMB20,000,000 from which resulted in a deemed capital contribution of RMB68,830,000 recognised in the capital reserve (note 37).

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RESERVES (continued)

Group (continued)

(d) Deemed contribution from the equity holders (continued)

In respect of Shibo Business foregoing mentioned, the addition of properties cost of RMB16,256,000 during 2010 has been accounted for as deemed contribution by the equity holders.

The above transactions resulted in an aggregate deemed contribution from the equity holders of RMB290,474,000, RMB10,000,000 and RMB75,830,000 for the years ended 31 December 2010, 2011 and 2012 recognised in the capital reserve account.

(e) Reserves of the Company

	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 2 November 2011 (date of incorporation	–	–	–	–
Net loss and total comprehensive loss for the year	–	–	(57)	(57)
At 31 December 2011, and 1 January 2012	–	–	(57)	(57)
Loss for the year	–	–	(13,957)	(13,957)
Other comprehensive loss				
Exchange difference on translation	–	(3,567)	–	(3,567)
Total comprehensive loss	–	(3,567)	(13,957)	(17,524)
Issue of shares	509,596	–	–	509,596
At 31 December 2012 and 1 January 2013	509,596	(3,567)	(14,014)	492,015
Loss for the period	–	–	(1,142)	(1,142)
Other comprehensive income				
Exchange difference on translation	–	(10,753)	–	(10,753)
Total comprehensive loss	–	(10,753)	(1,142)	(11,895)
At 30 September 2013	509,596	(14,320)	(15,156)	480,120
Unaudited				
At 31 December 2011 and 1 January 2012	–	–	(57)	(57)
Loss for the period	–	–	(11,474)	(11,474)
Other comprehensive loss				
Exchange difference on translation	–	802	–	802
Total comprehensive loss	–	802	(11,474)	(10,672)
Issue of shares	509,596	–	–	–
At 30 September 2012	509,596	802	(11,531)	10,729

II. NOTES TO THE FINANCIAL INFORMATION (continued)

37. DISPOSAL OF SUBSIDIARIES

In January 2010, the Group disposed of its subsidiary, Haichang Property Group, at a consideration of RMB9,900,000.

	Note	2010
		RMB'000
Net assets disposed of:		
Property, plant and equipment	*14*	619,709
Investment properties	*15*	182,124
Prepaid land lease payments	*16*	22,843
Intangible assets	*17*	631
Deferred tax assets	*19*	80,645
Properties under development	*21*	1,512,975
Inventories		1,837
Trade and bill receivables		455
Prepayments, deposits and other receivables		118,485
Due from related companies		94,536
Pledged deposits		50,099
Cash and cash balances		30,479
Trade and bills payables		(390,770)
Other payables and accruals		(481,170)
Due to related companies		(1,261,437)
Advances from customers		(438,691)
Interest-bearing bank and other borrowings		(181,250)
Government grants	*33*	(139,818)
Deferred revenue		(31,910)
Tax payables		(41,497)
Non-controlling interest		(2,593)
		(254,318)
Deemed contribution by equity holders		264,218
Satisfied by:		
Amount due from a related party		9,900

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2010
	RMB'000
Cash consideration	–
Cash and bank balances disposed of	(30,479)
Net outflow of cash and cash equivalents In respect of the disposal of a subsidiary	(30,479)

II. NOTES TO THE FINANCIAL INFORMATION (continued)

37. DISPOSAL OF SUBSIDIARIES (continued)

In January and August 2012, the Group disposed of its subsidiaries, 青島海洋極地物業有限公司 ("Qingdao Property") and Sanya Development, at considerations of RMB500,000 and RMB20,000,000, respectively.

	2012
	RMB'000
Net assets disposed of:	
Cash and bank balances	615
Other receivables	179
Amount due from related companies	725,654
Properties under development *(note 21)*	296
Other payables and accruals	(6,977)
Interest-bearing bank and other borrowings	(768,097)
	(48,330)
Deemed contribution by the shareholder	68,830
Satisfied by:	
Amount due from a related company	20,500

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2012
	RMB'000
Cash consideration	–
Cash and bank balances disposed of	(615)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(615)

38. MAJOR NON-CASH TRANSACTION

During the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, the Group capitalized of borrowing costs of RMB37,864,000, RMB33,132,000, RMB68,332,000, RMB53,361,000 and RMB63,103,000 and the corresponding amounts of increase in the properties under development, which did not result in cash flows.

39. CONTINGENT LIABILITIES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	92,087	121,717	126,075	110,516
Guarantees given to banks in connection with facilities granted to the related companies**	299,983	69,483	496,582	584,201
	392,070	191,200	622,657	694,717

II. NOTES TO THE FINANCIAL INFORMATION (continued)

39. CONTINGENT LIABILITIES (continued)

* The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchasers' collateral agreement.

The Group did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

** The Group provided guarantees to banks in connection with bank facilities granted to the related companies and the directors consider that no provision is required in respect of the guarantees.

40. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from three months to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	10,428	9,520	11,819	12,231
In the second to fifth years, inclusive	40,028	46,591	54,770	56,328
After five years	94,083	126,281	117,570	113,064
	144,539	182,392	184,159	181,623

(b) As lessee

The Group leases certain of its land and office buildings under operating lease arrangements.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	461	300	1,729	–
In the second to fifth years, inclusive	800	225	6,014	–
	1,261	525	7,743	–

II. NOTES TO THE FINANCIAL INFORMATION (continued)

41. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Properties under development, buildings and machinery	558,466	827,238	497,657	390,001
Authorized but not contracted	4,543	–	36,288	2,787
	563,009	827,238	533,945	392,788

42. RELATED PARTY TRANSACTIONS AND BALANCES

The related companies with which the Group had transactions were as follows:

Name of related party	Relationship with the Group
Mr. Qu	Shareholder of the Company
程春萍 ("Mrs. Cheng")	Wife of Mr. Qu and shareholder of the Company
曲乃強 ("Qu Naiqiang")	Brother of Mr. Qu and director of the Company
曲乃生 ("Qu Naisheng")	Brother of Mr. Qu
李昕 ("Li Xin")	Chief financial controller of the Company
Haichang Corporation Development	Mr. Qu and Mrs. Cheng are beneficial equity holders
天津海昌房地產開發有限公司 ("Tianjing Haichang Property")	Mr. Qu and Mrs. Cheng are beneficial equity holders
天津極地海洋置業有限公司 ("Tianjing Pole Ocean Property")	Mr. Qu and Mrs. Cheng are beneficial equity holders
Haichang Group	Mr. Qu and Mrs. Cheng are beneficial equity holders
Haichang Property Group	Mr. Qu and Mrs. Cheng are beneficial equity holders
成都海昌置業有限公司 ("Chengdu Haichang Property")	Mr. Qu and Mrs. Cheng are beneficial equity holders
大連海昌房屋開發有限公司 ("Haichang Property Development")	Mr. Qu and Mrs. Cheng are beneficial equity holders
武漢物業管理有限公司 ("Wuhan Property Management ")	Mr. Qu and Mrs. Cheng are beneficial equity holders
大連東方水城發展有限公司 ("Water Town")	Mr. Qu and Mrs. Cheng are beneficial equity holders
武漢創富房地產開發有限公司 ("Wuhan Chuangfu")	Mr. Qu and Mrs. Cheng are beneficial equity holders
成都融信置地有限公司 ("Chengdu Rongxin Property")	Mr. Qu and Mrs. Cheng are beneficial equity holders
香港海昌置業有限公司 ("Haichang Land")	Mr. Qu and Mrs. Cheng are beneficial equity holders
SAS LAMONT ("SAS LAMONT")	Mr. Qu and Mrs. Cheng are beneficial equity holders
Sea-rich Oil (Singapore) Pte. Ltd ("Sea-rich Oil")	Mr. Qu and Mrs. Cheng are beneficial equity holders
Dalian Lianyun	Mr. Qu and Mrs. Cheng are beneficial equity holders
Hong Kong Oriental Investment (Holding) Limited ("HK East investment")	Mr. Qu and Mrs. Cheng are beneficial equity holders
大連海昌電子工程有限公司 ("Haichang Electronic")	Mr. Qu and Mrs. Cheng are beneficial equity holders
龐大歐力士汽車租賃有限公司 ("Orix Lease")	A company of which is a joint venture of a shareholder of the Company
大連海昌商業運營管理有限公司 ("Haichang Business Operation Management")	Mr. Qu and Mrs. Cheng are beneficial equity holders
大連海昌置地逸城房地開發有限公司 ("Haichang Yicheng")	Mr. Qu and Mrs. Cheng are beneficial equity holders
大連拉蒙酒業有限公司 ("Dalian LAMONT")	Mr. Qu and Mrs. Cheng are beneficial equity holders
煙台海昌物業管理有限公司 ("Yantai Property Management")	Mr. Qu and Mrs. Cheng are beneficial equity holders

II. NOTES TO THE FINANCIAL INFORMATION (continued)

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2010**	**2011**	**2012**	**2012**	**2013**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Expenses paid on behalf of a related company:						
Chengdu Rongxin Property	*(a)(i)*	–	301	201	–	577
Expenses paid on behalf by related companies:						
Haichang Corporation Development	*(a)(ii)*	–	6,100	–	–	–
Haichang Land	*(a)(ii)*	–	–	943	943	–
SAS LAMONT	*(a)(ii)*	–	–	1,257	1,257	–
		–	6,100	2,200	2,200	–
Purchase of property, plant and equipment:						
Orix Lease	*(a)(iii)*	–	–	–	–	4,644
Tianjing Pole Ocean Property	*(a)(iii)*	7,841	200	–	–	–
		7,841	200	–	–	4,644
Purchase of properties:						
Haichang Property Development	*(a)(iv)*	–	–	–	–	88,603
Sales of property, plant and equipment to a related company:						
Haichang Property Development	*(a)(v)*	–	23,000	30,000	30,000	–
Management fee income:						
Wuhan Property Management	*(a)(vi)*	–	–	–	–	1,260
Rental income:						
Haichang Corporation Development	*(a)(vii)*	–	–	–	–	1,528
Interest expense:						
Haichang Corporation Development	*(a)(viii)*	–	40,895	99,655	85,113	33,075
Interest income:						
Haichang Group	*(a)(ix)*	–	31,816	81,318	43,437	83,705
Haichang Corporation Development*	*36(c)*	–	–	42,420	30,582	39,352

* Being interest income from loan to Haichang Corporation Development under effective interest rate method.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

(i) During the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, the Group paid nil, RMB301,000, RMB201,000, nil and RMB577,000, respectively, for expenses on behalf of Chengdu Rongxin Property on an actual incurred basis.

(ii) During the year ended 31 December 2011, Haichang Corporation Development paid RMB6,100,000 for expenses on behalf of the Group.

During the year ended 31 December 2012 and the nine months ended 30 September 2012, Haichang Land paid RMB943,000 and RMB943,000 for expenses on behalf of the Group, respectively.

During the year ended 31 December 2012 and the nine months ended 30 September 2012, SAS LAMONT paid RMB1,257,000 and RMB1,257,000 for expenses on behalf of the Group, respectively.

(iii) During the years ended 31 December 2010 and 2011 and the nine months ended 30 September 2013, the Group purchased certain plant and equipment from Tianjing Pole Ocean Property, Tianjing Pole Ocean Property and Orix Lease with considerations of RMB7,841,000, RMB200,000 and RMB4,644,000, respectively.

The purchases from Tianjing Pole Ocean Property and Orix Lease were made on prices and conditions as mutually agreed.

(iv) During the year ended 31 December 2012, the Group entered into an agreement with Haichang Property Development to purchase certain properties from Haichang Property Development with a consideration of RMB88,603,000. The Group has fully paid the amount during the year ended 31 December 2012 and the property was delivered to the Group during the nine months ended 30 September 2013.

The properties from Haichang Property Development were made on prices and conditions as mutually agreed.

(v) During the year ended 31 December 2012 and the nine months ended 30 September 2013, Haichang Property Development entered into an agreement with the Group to purchase certain properties from the Group with a total consideration of RMB30,000,000.

During the year ended 31 December 2011, Haichang Property Development entered into an agreement with the Group to purchase certain properties from the Group with a total consideration of RMB23,000,000.

The Group's properties sold to Haichang Property Development were made on prices and conditions as mutually agreed.

(vi) During the year ended 31 December 2012, Wuhan Property Management entered into a property management agreement with the Group whereby Wuhan Property Management engaged the Group to provide property management service for RMB1,680,000 per annum for a 12 month period commencing from 1 January 2013. During the nine months ended 30 September 2013, management fee income from Wuhan Property Management was RMB1,260,000.

The management fee received was agreed between the Group and Wuhan Property Management.

(vii) The Group leased out office space to Haichang Corporation Development for RMB382,000 per month for a seven month period commencing from 1 June 2013. Rental income for the nine months ended 30 September 2013 from Haichang Corporation Development was RMB1,528,000.

In the opinion of the Directors of the Company, the transactions between the Group and Haichang Corporation Development were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

(viii) Dalian Haichang Corporation Development granted a loan to the Group through certain bank amounting to nil, RMB660,000,000, RMB583,000,000 and nil as at 31 December 2010, 2011 and 2012 and 30 September 2013 which bear interest at nil, 15.00%, 15.00% and nil per annum, respectively, and repayable in one year.

(ix) The Group granted a loan to Haichang Group amounting to nil, RMB560,000,000, RMB1,030,000,000 and RMB530,000,000 at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. Details of which are set out in note 26 to the Financial Information.

During 2011 and 2012, the Group received interest income in the aggregate amount of approximately RMB61.2 million from Haichang Group in respect of certain advances provided by the Group to Haichang Group directly without using legally permitted entrustment loans through banks. Under the relevant PRC laws, the Group is not allowed to provide loans to its related company directly. The interest income received by the Group may be forfeited by the relevant government authorities and the Group may be subject to a fine of no more than five times the interest income. Having taken into account the Company's legal counsel advice, the Directors of the Company are of opinion that the payment of penalty is remote and no provision is required. As at 30 September 2013, the loans in have been converted into legally permitted entrustment loans granted by the Group through banks.

(x) Water Town pledged its buildings for bank loans of nil, nil, RMB500,000,000 and nil granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013 at nil consideration (note 31(ii)), respectively.

Wuhan Chuangfu pledged its leasehold land interest for bank loans of nil, RMB100,000,000, RMB90,000,000 and nil granted to the Group at 31 December 2010, 2011 and 2012 and 30 September 2013 at nil consideration (note 31(ii)), respectively.

(xi) Haichang Corporation Development executed guarantees for bank loans amounting to RMB1,013,020,000, RMB1,695,000,000, RMB1,276,000,000 and RMB802,000,000 as at 31 December 2010, 2011 and 2012 and 30 September 2013 granted to the Group at nil consideration, respectively (note 31(iii)).

Haichang Group and Mr. Qu executed guarantees for bank loans amounting to RMB30,000,000, RMB30,000,000, RMB30,000,000 and RMB30,000,000 as at 31 December 2010, 2011 and 2012 and 30 September 2013 granted to the Group at nil consideration, respectively (note 31(iii)).

Haichang Corporation Development and Haichang Group executed guarantees jointly for bank loans amounting to nil, nil, RMB101,800,000 and RMB101,800,000 as at 31 December 2010, 2011 and 2012 and 30 September 2013 granted to the Group at nil consideration, respectively (note 31(iii)).

(xii) The Group pledged its investment properties amounting to RMB151,980,000, RMB30,116,000, nil and nil for the loans granted to Haichang Corporation Development at 31 December 2010, 2011 and 2012 and 30 September 2013 (note 15) at nil consideration, respectively.

The Group pledged its leasehold land interest amounting to RMB71,814,000, nil, nil and nil for the loans granted to Haichang Corporation Development at 31 December 2010, 2011 and 2012 and 30 September 2013 (note 16) at nil consideration, respectively.

The Group pledged its properties under development amounting to RMB76,189,000, RMB39,367,000, RMB496,582,000 and RMB296,977,000 for the loans granted to Haichang Corporation Development at 31 December 2010, 2011 and 2012 and 30 September 2013 (note 21) at nil consideration, respectively.

The Group pledged their properties under development amounting to nil, nil, nil and RMB287,224,000 for the company loans granted to Haichang Group as at 31 December 2010, 2011 2012, and 30 September 2013 (note 21) at nil consideration, respectively.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

(xiii) The finance lease payables amounting to nil, RMB128,299,000, RMB88,130,000, RMB155,372,000 at 31 December 2010, 2011 and 2012 and 30 September 2013 were guaranteed by Haichang Group and Haichang Corporation Development at nil consideration, respectively (note 32).

(xiv) On 24 January 2014, Haichang Enterprise Development and the Group entered into a project management framework agreement (the "Project Management Framework Agreement") , pursuant to which Group will provide project management and quality control services for the real estate projects of Haichang Enterprise Development in China from the listing date to 31 December 2015.

(xv) Pursuant to a share subscription agreement dated 24 May 2012 entered into between the Company, Haichang Group Limited, Mr. Qu and Time Dynasty Limited ("Time Dynasty," a company incorporated in the British Virgin Islands), the Company issued 14,391,996 shares of US$0.0001 each for a consideration of US$80,500,000 ("Time Dynasty Agreement").

Pursuant to a share subscription agreement dated 13 July 2012 entered into between the Company, ORIX (China) Investment Company Limited ("Orix," a company established in the PRC), Oriental Camellia Investment Limited ("Oriental Camellia"), a wholly owned subsidiary of Orix, the Company issued 15,000,000 shares of US$0.0001 each ("Orix Agreement") to Oriental Camellia at par.

As covenants in relation to the restructuring plan as contemplated in the Orix Agreement and the Time Dynasty Agreement, after the completion of acquisition of Discoveryland by the Group, the equity holder of Discoveryland and/or their affiliates shall repay to the Company such amount that equals to the cash payment received by them in connection with the sale of Discoveryland as consideration for their equity interest therein, as deferred payment of the initial subscription premium of Mr. Qu's beneficial shares.

As covenants in relation to the restructuring plan as contemplated in the Orix Agreement and Time Dynasty Agreement, after the completion of the acquisition of Chongqing Caribbean by the Group, the equity holder of Chongqing Caribbean and/or his affiliates shall repay to the Company such amount that equals to the cash payment received by them in connection with the sale of Chonging Caribbean as consideration for their equity interest therein, as deferred payment of the initial subscription premium of Mr. Qu's beneficial shares.

To the extent that the acquisitions of Discoveryland and Chongqing Caribbean cannot be completed before the end of 2014, Mr. Qu and the Company shall indemnify Time Dynasty and Oriental Camellia and their affiliates for losses, if any, incurred to foregoing investors. Such indemnification is subject to various limitations specified in the Orix Agreement and the Time Dynasty Agreement and the maximum liability of Mr. Qu and the Company shall not exceed 20% of the total share purchase price as specified in the Orix Agreement.

(xvi) In September 2013 and in October 2013, the Group entered into an agreement with Haichang Group to transfer 46 and 15 trademarks from Haichang Group to the Group at nil consideration, respectively.

(xvii) On 25 August 2012, six indemnification agreements were entered into between Mr. Qu Naijie, Mr. Qu Naiqiang, Mr. Makoto Inoue, Mr. Zhao Wenjing, Mr. Wang Xuguang and Mr. Yuan Bing and the Company, respectively, pursuant to which which the Company agreed to indemnify each of Mr. Qu Naijie, Mr. Qu Naiqiang, Mr. Makoto Inoue, Mr. Zhao Wenjing, Mr. Wang Xuguang and Mr. Yuan Bing, respectively, against certain losses and expenses in relation to their services as directors.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related companies

The Group had the following balances with its related parties at the end of each of the Relevant Periods:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due from the ultimate holding company				
Haichang Group Limited	–	–	–	615
Due from related companies				
Haichang Corporation Development	865,142	2,398,246	1,203,964	1,441,989
Haichang Group	302,758	644,344	1,168,276	639,340
Dalian Lian Yun	6,300	6,300	6,300	6,300
Haichang Property Group	1,066	–	20,000	20,000
Haichang Property Development	3,691	–	82,960	–
Tianjin Haichang Property	–	1,066	1,066	1,066
Chengdu Rongxin Property	–	301	502	577
Wuhan Property Management	–	–	158	–
HK East investment	–	–	–	5,533
Haichang Electronic	–	–	–	70,000
Sea Rich Oil	–	–	–	614
Haichang Business Operation Management	–	–	–	819
Yantai Property Management	–	–	–	372
Chengdu Haichang Property	–	–	34	–
	1,178,957	3,050,257	2,483,260	2,186,610
Due from related parties				
Qu Naiqiang	1,000	–	–	–
Qu Naisheng	1,000	–	–	–
Li Xin	800	–	–	–
	2,800	–	–	–
Due from a non-controlling equity holder				
大連老虎灘海洋公園有限公司 ("Hutan Park")	56,897	75,555	52,675	58,977
Due to related companies				
Haichang Corporation Development	854,666	772,833	750,884	1,071,277
Haichang Group	5,187	5,187	2,632	6,193
Haichang Property Development	–	–	–	4,781
Wuhan Property Management	–	–	–	1,960
Sea Rich Oil	195,899	–	41,608	68,689
Dalian Lianyun	–	–	–	8,000
Tianjin Pole Ocean Property	7,841	8,041	7,965	7,965
SAS LAMONT	–	–	1,257	1,230
Dalian LAMONT	–	–	1,977	1,977
Haichang Land	–	–	943	922
	1,063,593	786,061	807,266	1,172,994
Due to a related party				
Mr. Qu	818	–	–	–

II. NOTES TO THE FINANCIAL INFORMATION (continued)

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related companies (continued)

The maximum amounts outstanding during the years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2013 pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due from related companies				
Haichang Corporation Development	865,142	2,398,246	2,398,246	1,441,989
Haichang Group	302,758	644,344	1,168,276	1,168,276
Dalian Lian Yun	6,300	6,300	6,300	6,300
Haichang Property Development	3,691	3,691	82,960	82,960
Haichang Property Group	1,066	1,066	20,000	20,000
Tianjin Haichang Property	–	1,066	1,066	1,066
Chengdu Rongxin Property	–	301	502	577
Wuhan Property Management	–	–	158	158
HK East investment	–	–	–	5,561
Haichang Electronic	–	–	–	70,000
Orix Lease	–	–	–	229
Haichang Business Operation Management	–	–	–	819
Yantai Property Management	–	–	–	372
Sea Rich Oil	–	–	–	614
Chengdu Haichang Property	–	–	34	34
	1,178,957	3,055,014	3,677,542	2,798,955
Other Loans				
Haichang Corporation Development	–	660,000	583,000	–
Due from related parties				
Qu Naiqiang	1,000	–	–	–
Qu Naisheng	1,000	–	–	–
Li Xin	800	–	–	–
	2,800	–	–	–

II. NOTES TO THE FINANCIAL INFORMATION (continued)

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related companies (continued)

The Company had the following balances with its related parties at the end of the reporting period:

	31 December		30 September
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due from the ultimate holding company			
Haichang Group Limited	–	–	615
Due from subsidiaries			
Haichang Asia	–	–	615
Haichang Hong Kong	–	491,794	480,486
	–	491,794	481,101
Due to related companies			
Haichang Land	–	943	922
SAS LAMONT	–	1,257	1,230
	–	2,200	2,152

Further details of the amounts with the ultimate holding company/related companies/related parties/ a non-controlling equity holder are set out in note 26.

The Company's amounts due from subsidiaries and amounts due to related companies are unsecured, interest free and repayable on demand.

(c) Compensation to the key management

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Emoluments	–	–	–	–	–
Salaries, allowances, bonuses, benefits and other expenses	–	–	–	–	352
Post employment benefit	–	–	–	–	18
	–	–	–	–	370

II. NOTES TO THE FINANCIAL INFORMATION (continued)

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

31 December 2010

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 25)*	28,024	–	28,024
Available-for-sale investments	–	19,170	19,170
Trade and bills receivables	114,008	–	114,008
Due from related companies	1,178,957	–	1,178,957
Due from related parties	2,800	–	2,800
Due from a non-controlling equity holder	56,897	–	56,897
Pledged deposits	2,582	–	2,582
Cash and cash equivalents	107,067	–	107,067
	1,490,335	19,170	1,509,505

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals *(note 29)*	137,398
Interest-bearing bank and other borrowings	1,121,439
Trade and bills payables	634,689
Due to a related party	818
Due to related companies	1,063,593
	2,957,937

II. NOTES TO THE FINANCIAL INFORMATION (continued)

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group (continued)

31 December 2011

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 25)*	43,084	–	43,084
Available-for-sale investments	–	19,170	19,170
Trade and bills receivables	16,818	–	16,818
Due from related companies	3,050,257	–	3,050,257
Due from a non-controlling equity holder	75,555	–	75,555
Pledged deposits	3,632	–	3,632
Cash and cash equivalents	115,545	–	115,545
	3,304,891	19,170	3,324,061

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals *(note 29)*	230,036
Interest-bearing bank and other borrowings	4,111,132
Trade and bills payables	564,380
Due to related companies	786,061
	5,691,609

II. NOTES TO THE FINANCIAL INFORMATION (continued)

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group (continued)

31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 25)*	54,148	–	54,148
Available-for-sale investments	–	199,352	199,352
Trade and bills receivables	17,955	–	17,955
Due from related companies	2,483,260	–	2,483,260
Due from a non-controlling equity holder	52,675	–	52,675
Pledged deposits	2,286	–	2,286
Cash and cash equivalents	404,040	–	404,040
	3,014,364	199,352	3,213,716

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals *(note 29)*	174,539
Interest-bearing bank and other borrowings	3,843,247
Trade and bills payables	492,745
Due to related companies	807,266
	5,317,797

II. NOTES TO THE FINANCIAL INFORMATION (continued)

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group (continued)

30 September 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 25)*	50,385	–	50,385
Available-for-sale investments	–	19,370	19,370
Trade and bills receivables	18,933	–	18,933
Due from the ultimate holding company	615	–	615
Due from related companies	2,186,610	–	2,186,610
Due from a non-controlling equity holder	58,977	–	58,977
Pledged deposits	2,291	–	2,291
Cash and cash equivalents	590,706	–	590,706
	2,908,517	19,370	2,927,887

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals *(note 29)*	174,546
Interest-bearing bank and other borrowings	3,513,291
Trade and bills payables	375,290
Due to related companies	1,172,994
	5,236,121

II. NOTES TO THE FINANCIAL INFORMATION (continued)

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

31 December 2011

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Other payables	57

31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Due from subsidiaries	491,794
Cash and cash equivalents	2,550
	494,344

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Other payables	57
Due to related companies	2,200
	2,257

30 September 2013

Financial assets

	Loans and receivables
	RMB'000
Due from the ultimate holding company	615
Due from related companies	481,101
Cash and cash equivalents	684
	482,400

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Other payables	56
Due to related companies	2,152
	2,208

II. NOTES TO THE FINANCIAL INFORMATION (continued)

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

31 December 2011

Financial liabilities

	Carrying amount	Fair value
	RMB'000	RMB'000
Finance lease payables	128,299	128,401

31 December 2012

Financial assets

	Carrying amount	Fair value
	RMB'000	RMB'000
Available-for-sale investments	180,182	180,182

Financial liabilities

	Carrying amount	Fair value
	RMB'000	RMB'000
Financial lease payables	88,130	94,419

30 September 2013

Financial assets

	Carrying amount	Fair value
	RMB'000	RMB'000
Available-for-sale investments	200	200

Financial liabilities

	Carrying amount	Fair value
	RMB'000	RMB'000
Finance lease payables	159,524	160,826

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from related companies, an amount due from the ultimate holding company, amounts due from related parties, an amount due from a non-controlling equity holder, an amount due to a related party and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to such borrowings are made between the Group and independent third-party financial institution or related companies based on prevailing market interest rates.

The fair values of the finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables as at 31 December 2010, 2011 and 2012 and 30 September 2013 was assessed to be insignificant.

The fair values of unlisted available-for-sale investments have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows from future proceeds when maturity. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the combined statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value :

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available for sale investment.	–	180,182	–	180,182

As at 30 September 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available for sale investment.	–	200	–	200

II. NOTES TO THE FINANCIAL INFORMATION (continued)

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2011

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables	–	128,299	–	128,299

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables	–	88,130	–	88,130

As at 30 September 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables	–	159,524	–	159,524

During the year ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, due from/to related parties, due from the ultimate holding company, due from/to related companies, due from a non-controlling equity holder, available-for-sale investments, cash and bank balances and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade and bills payables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings set out in note 31. The Group has not used any interest rate swaps to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity, other than retained earnings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000
For the year ended 31 December 2010	100	(8,115)
	(100)	8,115
For the year ended 31 December 2011	100	(25,185)
	(100)	25,185
For the year ended 31 December 2012	100	(19,061)
	(100)	19,061
For the nine months ended 30 September 2012	100	(9,705)
	(100)	9,705
For the nine months ended 30 September 2013	100	(21,450)
	(100)	21,450

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB, except capital injections from shareholders which have been settled into RMB sooner after the receipt date. All of the Group's assets and liabilities are denominated in RMB. Accordingly, the Group is not subject to significant foreign currency risk exposure.

Credit risk

There are no significant concentrations of credit risk within the Group. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, trade and bills receivables, deposits and other receivables, amounts due from related companies/related parties arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	31 December 2010					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	–	18,580	352,863	460,556	978,584	1,810,583
Trade and bills payables	634,689	–	–	–	–	634,689
Other payables and accruals	137,398	–	–	–	–	137,398
Due to a related party	818	–	–	–	–	818
Due to related companies	1,063,593	–	–	–	–	1,063,593
	1,836,498	18,580	352,863	460,556	978,584	3,647,081

	31 December 2011					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables	–	11,865	35,597	104,985	–	152,447
Interest-bearing bank borrowings	–	116,317	1,895,800	1,926,885	1,870,086	5,809,088
Trade and bills payables	564,380	–	–	–	–	564,380
Other payables and accruals	230,036	–	–	–	–	230,036
Due to related companies	786,061	–	–	–	–	786,061
	1,580,477	128,182	1,931,397	2,031,870	1,870,086	7,542,012

	31 December 2012					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables	–	15,711	47,133	41,154	–	103,998
Interest-bearing bank borrowings	–	161,076	1,786,660	2,034,982	1,431,821	5,414,539
Trade and bills payables	492,745	–	–	–	–	492,745
Other payables and accruals	174,539	–	–	–	–	174,539
Due to related companies	807,266	–	–	–	–	807,266
	1,474,550	176,787	1,833,793	2,076,136	1,431,821	6,993,087

II. NOTES TO THE FINANCIAL INFORMATION (continued)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	30 September 2013					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables	–	31,694	95,082	130,460	–	257,236
Interest-bearing bank borrowings	–	69,211	1,192,545	1,937,820	799,927	3,999,503
Trade and bills payables	375,290	–	–	–	–	375,290
Other payables and accruals	174,546	–	–	–	–	174,546
Due to related companies	1,172,994	–	–	–	–	1,172,994
	1,722,830	100,905	1,287,627	2,068,280	799,927	5,979,569

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group monitors capital using a net debt to total equity ratio. Net debt includes interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amount due from related companies. The gearing ratios as at the end of the reporting periods were as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	1,121,439	4,111,132	3,843,247	3,513,291
Due to the related companies	1,063,593	786,061	807,266	1,172,994
Less: Due from related companies	(1,178,957)	(3,050,257)	(2,483,260)	(2,186,610)
Less: Cash and cash equivalents	(107,067)	(115,545)	(404,040)	(590,706)
Net debt	899,008	1,731,391	1,763,213	1,908,969
Total equity	941,115	663,191	1,143,860	1,187,432
Net debt to total equity ratio	96%	261%	154%	161%

II. NOTES TO THE FINANCIAL INFORMATION (continued)

46. SUBSEQUENT EVENTS

In February 2014, the Group entered into a debt transfer agreement with Sea-rich Oil and Haichang Group, for which, Sea-rich Oil agreed to transfer its receivable of RMB862,000 from the Group to Haichang Group.

In February 2014, the Group entered into a debt transfer agreement with Haichang Land and HK East Investment, for which, Haichang Land agreed to transfer its receivable of US$150,000 due from the Group to HK East Investment.

In February 2014, the Group entered into a debt transfer agreement with Sea-rich Oil and HK East Investment, for which, Sea-rich agreed to transfer its receivable of US$10,160,000 from the Group to HK East Investment.

Subsequent to 30 September 2013, the balance of amounts due from the related companies, an amount due from a non-controlling equity holder, amounts due to the related companies as at 30 September 2013 have been substantially settled.

In January 2014, the Group entered into purchase and sales agreements in relation to the purchase of 17 properties from 大連世博房地產開發有限公司, a company of which Mr. Qu has indirect beneficial interest as an equity holder, for a total consideration of RMB278,756,000.

In February 2014, the Company increased its authorised share capital from US$50,000 divided into 500,000,000 shares of US$0.0001 each to 5,000,000,000 shares of US$0.00001 each by the creation of 4,500,000,000.

47. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to 30 September 2013.

Yours faithfully
Ernst & Young

Certified Public Accountants
Hong Kong