2012
ANNUAL REPORT

明发集团
MINGFA GROUP

Mingfa Group (International) Company Limited

(incorporated in the Cayman Islands with limited liability) Stock code : 846

Wealth China
財富中國 百年明發 Century Mingfa

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui

Non-Executive Director
Mr. Chi Miao

Independent Non-Executive Directors
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Qu Wenzhou

COMPANY SECRETARY

Mr. Poon Wing Chuen *(FCCA)*

AUDIT COMMITTEE

Mr. Qu Wenzhou *(chairperson of the committee)*
Mr. Wong Po Yan
Mr. Dai Yiyi

NOMINATION COMMITTEE

Mr. Dai Yiyi *(chairperson of the committee)*
Mr. Wong Po Yan
Mr. Qu Wenzhou

REMUNERATION COMMITTEE

Mr. Qu Wenzhou *(chairperson of the committee)*
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Chi Miao

AUTHORISED REPRESENTATIVES

Mr. Wong Wun Ming
Mr. Poon Wing Chuen *(FCCA)*

REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited
Scotia Centre
4th Floor, P.O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Mingfa Riverside New Town
1 Binjiang Avenue, Pukou,
Nanjing City, Jiangsu Province
PRC

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

COMPANY'S WEBSITE

http://ming-fa.com

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED (MAIN BOARD)

846

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
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Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank
Bank of China, (Hong Kong) Limited

LEGAL ADVISER AS TO HONG KONG LAWS

Paul Hastings
21–22/F, Bank of China Tower
1 Garden Road, Hong Kong

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
Unit A, 29th Floor, Admiralty Centre I
18 Harcourt Road, Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Mingfa Group (International) Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2012.

The Group continues to apply prudent operation policy to maintain balanced land bank. Our income is generated from residential property sales, commercial property sales, regular rental income and hotel income. We believe that such diversification will be essential to our healthy growth presently and in the future.

The property market was still slow in the first half of 2012 because of the continuous austerity policies imposed in PRC and uncertain worldwide economic and political environment. In order to increase our liquidity, we decreased our average sales price ("**ASP**") for two residential projects in Nanjing and Xiamen for approximately 15%. This strategy definitely stimulated the demand and the sales volume increased steadily. Thereafter, ASP increased step by step during the second half of 2012 and had resumed to the original level. The US government announced that they would continue to apply the eased fiscal policies in 2012, and more funds were looking for the investment opportunities especially in the property market in PRC. This had definitely increased the overall properties demand so that ASP and sales volume increased sharply in the second half of 2012. However, the PRC government had announced to impose new stringent policies to control the overheat property market in March 2013 and it is expected that these policies will be effective in the second half of 2013.

In order to further strengthen our financial positions and investors base, the Group has issued senior notes of USD100 million in January 2013. The proceeds were mainly used to repay the bank loans and buy back the convertible bonds due 2016 in open market. In February 2013, we have bought back HKD70 million convertible bonds due 2016 and have repaid an offshore loan of HKD303 million.

The performance in the pre-sales of properties in 2012 was promising. Our contracted sales amount for 2012 and 2011 were approximately RMB5.34 billion and RMB3.25 billion respectively which represented an increase of approximately 64.2%. The corresponding gross floor area ("**GFA**") for 2012 and 2011 were 707,028 sq.m. and 416,715 sq.m. respectively which represented an increase of approximately 69.7%.

During the year under review, the Group delivered a total GFA of approximately 500,504 sq.m., representing an increase of approximately 72.1% compared to 290,829 sq.m. for 2011. ASP in respect of properties delivered for 2012 and 2011 were approximately RMB7,003.5 and RMB9,730.4 per sq.m. respectively, representing a decrease of approximately 28.0%.

In consideration of the existing uncertain market conditions, the Group will maintain our prudent philosophy to manage our business.

Lastly, on behalf of the Board, I would like to express my gratitude to our customers, shareholders, business partners and our staff for their continuous support and contribution to the Group over the years.

Wong Wun Ming
Chairman

18 March 2013

Management Discussion and Analysis

RESULTS

The audited consolidated revenue of the Group was approximately RMB3,741.1 million for 2012, representing an increase of approximately 25.6% over 2011. The audited profit attributable to equity holders of the Company was approximately RMB1,764.7 million for 2012, representing an increase of approximately 10.5% over 2011. The basic and fully diluted earnings per share was RMB29.0 cents and RMB20.4 cents respectively for 2012, representing an increase of approximately 9.4% and a decrease of approximately 22.1% respectively over 2011.

The Board did not recommend payment of final dividend for the year ended 31 December 2012.

INDUSTRY REVIEW

The property market was still slow in 1H 2012 because of the continuous austerity policies imposed in PRC and uncertain worldwide economic and political environment. After the announcement of the eased fiscal policies applied in US in 2012 and the smooth President election in US and PRC, the investors started to re-emerge in the PRC property market during the second half of 2012. The ASP and sales volume increased significantly during the second half of 2012. It is anticipated that these factors will continue to have favourable impacts on property sector in PRC. On the other hand, PRC government has announced to impose new stringent policies to control the overheated property market in March 2013 including measures to decrease mortgage ratio and launch new tax policies on the profit generated from property transfer in secondary market. It is expected that these new policies will be effective in the second half of 2013. Overall, the property market is expected to develop steadily in terms of ASP and sales volume.

BUSINESS REVIEW

Sales and Earnings

The total area of properties sold and delivered to customers by the Group in 2012 in terms of GFA was approximately 499,890 sq.m., representing an increase of approximately 72.1% over 2011 (2011: approximately 290,445 sq.m.). Such increase was due to more residential properties in Zhangzhou Mingfa Shopping Mall and Wuxi Mingfa International New Town were delivered in 2012 upon completion.

During 2012, the ASP of the Group's properties delivered and recognized as sales was RMB6,958.2 per sq.m. (2011: ASP was RMB9,730.4 per sq.m.), representing a decrease of approximately 28.5% over 2011. Such decrease was mainly due to the change of properties mix whereas more residential properties were delivered in 2012.

The GFA of the major properties delivered by the Group in 2012 and the ASP per sq.m. were as follows:

Property	Sales Revenue (RMB million) 2012	2011	GFA Delivered (sq.m.) 2012	2011	Average Selling Price (RMB per sq.m.) 2012	2011
Nanjing Mingfa Riverside New Town	**361.1**	167.2	**44,959.0**	14,951.0	**8,031.8**	11,183.2
Nanjing Mingfa Shopping Mall	**98.7**	816.8	**3,084.0**	34,959.0	**32,003.9**	23,364.5
Nanjing Mingfa City Square	**637.9**	535.0	**73,973.0**	55,033.0	**8,623.4**	9,721.4
Yangzhou Mingfa Shopping Mall	**77.8**	735.1	**4,385.0**	116,305.0	**17,742.3**	6,320.5
Hefei Mingfa Shopping Mall	**197.7**	254.4	**26,146.0**	33,904.0	**7,561.4**	7,503.5
Wuxi Mingfa Shopping Mall	**25.7**	205.4	**2,223.0**	26,651.0	**11,561.0**	7,707.0
Wuxi Mingfa International New Town	**539.1**	—	**91,566.0**	—	**5,887.6**	n/a
Zhangzhou Mingfa Shopping Mall	**883.6**	—	**138,668.0**	—	**6,372.1**	n/a
Xiamen Mingfa Xiangwan Peninsula	**256.9**	—	**26,436.0**	—	**9,717.8**	n/a
Zhenjiang Jinxiu Yinshan	**160.4**	—	**31,207.0**	—	**5,139.9**	n/a
Honglai Mingfa Commercial Centre	**177.6**	—	**50,747.0**	—	**3,499.7**	n/a

The average cost of sales of the Group was RMB4,846.9 per sq.m. for 2012, representing an increase of approximately 3.3% over 2011 (2011: average cost of sales was RMB4,690.5 per sq.m.). Such increase was due to the general increase in construction costs in 2012.

The gross profit of the Group amounted to approximately RMB1,191.1 million for 2012, representing a decrease of approximately 21.6% over 2011 (2011: approximately RMB1,519.8 million). The major reason for the decrease in the gross profit was attributable to more residential properties with lower gross margin were delivered in 2012.

Management Discussion and Analysis

The audited profit attributable to the equity holders of the Company was approximately RMB1,764.7 million for 2012, representing an increase of approximately RMB167.7 million or approximately 10.5% from that of 2011. The major reason for the increase was attributable to the set off effect among the decrease in gross profit of RMB328.7 million in 2012, the increase in the gain from disposal of a jointly-controlled entity after tax of approximately RMB822.2 million in 2012 and the net decrease in fair value gains of investment properties and derivative financial instruments after tax from approximately RMB1,131.7 million in 2011 to approximately RMB809.4 million in 2012.

Pre-sold Properties

As at 31 December 2012, the Group had pre-sold properties with an aggregate GFA of 596,450 sq.m. to the buyers. Set out below are the details of the properties, the Group's interests and the attributable GFA pre-sold by the Group:

City	Property	Group's Interest	Attributable GFA Pre-sold (sq.m.)
Nanjing	Nanjing Mingfa Riverside New Town	100%	28,748
Nanjing	Nanjing Mingfa Shopping Mall	100%	2,136
Nanjing	Nanjing Mingfa City Square	100%	23,428
Wuxi	Wuxi Mingfa Shopping Mall	70%	3,761
Wuxi	Wuxi Mingfa International New Town	100%	31,177
Xiamen	Xiamen Mingfa Shopping Mall	70%	11,317
Xiamen	Xiamen Mingfa Xiang Wan Peninsula	100%	131,741
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	5,408
Yangzhou	Yangzhou Mingfa Jiangwan City	100%	10,421
Hefei	Hefei Mingfa Shopping Mall	100%	28,919
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	147,205
Honglai	Honglai Mingfa Commercial Centre	100%	3,684
Zhenjiang	Zhenjiang Jinxiu Yishan	100%	40,956
Huai'an	Huai'an Mingfa Shopping Mall	100%	53,251
Shenyang	Shenyang Mingfa Jinxiuhwa City	100%	47,668
Taizhou	Taizhou Mingfa City Complex	100%	17,756
Quanzhou	Quanzhou Mingfa Huachang International New Town	50%	8,874
Total			596,450

Summary of Land Bank

The following table summarizes the details of the Group's land bank:

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Completed properties (held for sale/leasing) *(Note 1)*								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming district, Xiamen, Fujian Province	Dec/2004	Residential/Commercial/Office	Completed	18,247	618	100%	618
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli district, Xiamen, Fujian Province	Dec/2004	Residential/Commercial/Office	Completed	5,529	2,365	100%	2,365
Xiamen Mingfa Garden	Located at Huanhuli South, Lvling Road, Siming district, Xiamen, Fujian Province	Apr/2005	Residential/Commercial	Completed	18,697	16,840	100%	16,840
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli district, Xiamen, Fujian Province	Apr/2005	Residential/Office	Completed	10,257	1,857	100%	1,857
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming district, Xiamen, Fujian Province	Feb/2002	Residential/Commercial/Office	Completed	26,016	20,723	100%	20,723
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Oct/2007	Commercial/Office/Hotel	Completed	166,775	37,845	70%	26,492
Xiamen Mingfa Town	Located at Lvling Road, Siming Industrial Park, Siming district, Xiamen, Fujian Province	Jan/2008	Residential/Commercial	Completed	12,879	15,397	100%	15,397
Xiamen Mingli Garden	Located at Qianpu Keque Road, Siming district, Xiamen, Fujian Province	Jan/2008	Residential	Completed	17,356	383	100%	383
Nanjing Pearl Spring Resort	Located in Pearl Spring Resort, Pukou district, Nanjing, Jiangsu Province	Dec/2008	Residential/Hotel	Completed	112,973	30,627	100%	30,627
Nanjing Mingfa Riverside New Town	Located in Taishan Village, Pukou district, Nanjing, Jiangsu Province	Nov/2009	Residential/Commercial	Completed	1,072,182	226,429	100%	226,429
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Dec/2010	Commercial/Office/Hotel	Completed	182,588	115,053	100%	115,053
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan district, Wuxi, Jiangsu Province	Dec/2011	Residential/Commercial/Hotel	Completed	216,643	438,551	70%	306,986
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Dec/2011	Residential/Commercial/ Office/Hotel	Completed	176,698	323,170	100%	323,170
Yangzhou Mingfa Shopping Mall	Located at south of Yunhe Road East and west of Baolin Road, Guangling district, Yangzhou, Jiangsu Province	Dec/2011	Residential/Commercial/Hotel	Completed	145,267	241,301	100%	241,301
Nanjing Mingfa City Square	Located at Dingshan Road, Pukou district, Nanjing, Jiangsu Province	Dec/2012	Residential/Commercial/Office	Completed	128,683	170,514	100%	170,514
Honglai Mingfa Commercial Centre	Located at Longlai district, Nanan, Fujian Province	Jun/2012	Residential/Commercial	Completed	27,065	26,406	100%	26,406
Xiamen Mingfa Xiang Wan Peninsula	Located at east part of Xiang'an Road, Xiang'an, Fujian Province	Dec/2012	Residential/Commercial	Completed	104,380	259,151	100%	259,151
Sub-total					**2,442,235**	**1,927,230**		**1,784,312**

Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties under development *(Note 2)*								
Xiamen Mingfa Harbour Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli district, Xiamen, Fujian Province	Dec/2013	Hotel	Construction has been completed	58,952	161,705	100%	161,705
Zhangzhou Mingfa Shopping Mall	Located at east of Longjiang Road, north of Shuixian Street, west of No. 6 Road, south of Xinpu Road, Zhangzhou, Fujian Province	Dec/2013	Residential/Commercial/ Office/Hotel	Completion certificate had been granted for GFA of 241,222 sq.m. in December 2012. The remaining GFA of 447,161 sq.m. will be completed in December 2013	223,589	437,299	100%	437,299
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec/2015	Residential/Commercial/Hotel	Completion certificate had been granted for GFA of 53,278 sq.m. in December 2012. The remaining GFA of 351,400 sq.m. will be completed in December 2014	296,702	373,471	100%	373,471
Huai'an Mingfa Shopping Mall (Block A)	Located at Shenzhen South Road, Huai'an, Jiangsu Province	Dec/2014	Commercial	Approximately 20% of construction has been completed	133,110	266,335	100%	266,335
Huai'an Mingfa Shopping Mall (Block C)	Located at Weihai East Road, Huai'an, Jiangsu Province	Dec/2013	Residential	Approximately 80% of construction has been completed	51,345	154,035	100%	154,035
Shenyang Mingfa Jinxiu Hua City	Located in Shenbei Xinqu Daoyi Development Zone	Dec/2014	Residential/Commercial	Approximately 30% of construction has been completed	61,222	306,110	100%	306,110
Wuxi Mingfa International New Town	Located at south of Yanqiao Town, Huishan district, Wuxi, Jiangsu Province	Dec/2014	Residential/Commercial	Completion certificate had been granted for GFA of 221,630 sq.m. in December 2012. The remaining GFA of 327,931 sq.m. will be completed in December 2014	258,297	457,995	100%	457,995
Yangzhou Mingfa Jiangwan City	Located at east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province	Dec/2014	Residential	Approximately 30% of construction has been completed	158,238	221,533	100%	221,533
Quanzhou Mingfa Huachang International Town	Located in Guanqiao Town Neicuo Village, Nanan, Fujian Province	Dec/2015	Commercial	Approximately 20% of construction has been completed	276,120	698,507	50%	349,253
Taizhou Mingfa City Complex	Located at west of Machang Zhonggou and south of Huangang Avenue, Gaogang district, Taizhou, Jiangsu Province	Dec/2015	Residential/Commercial	Approximately 10% of construction has been completed	292,487	731,300	100%	731,300
Zhangzhou Longhai Mingfa Mall	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province	Dec/2014	Residential/Commercial	Approximately 10% of construction has been completed	32,163	277,762	100%	277,762
Nanjing Mingfa Business Park	Located in Nanjing High-Tech Development Zone, Pukou district, Nanjing, Jiangsu Province	Dec/2015	Industrial	Approximately 10% of construction has been completed	547,215	827,762	100%	827,762
Sub-total					**2,389,440**	**4,913,814**		**4,564,560**
Properties with land use rights certificate for future development								
New property in Huizhou	Located at Huizhou City West Train Station, Guangdong Province	Dec/2015	Residential	Vacant	332,335	708,157	80%	566,526
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou district, Nanjing, Jiangsu Province	Dec/2014	Industrial	Vacant	41,434	62,151	100%	62,151
New property in Lanzhou	Located in Weijia Village of Southwest region	Dec/2015	Residential/Commercial	Vacant	481,192	481,192	100%	481,192
Sub-total					**854,961**	**1,251,500**		**1,109,869**

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties with signed land use rights contract for future development								
Xiamen Mingfeng Town	Located at Douling, Siming district, Xiamen, Fujian Province	Dec/2014	Industrial	Vacant	19,909	103,921	100%	103,921
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone	Dec/2015	Residential/Commercial	Vacant	154,024	462,072	100%	462,072
Shanghai Mingfa Shopping Mall	Located at east of Hu Yi Highway, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai	Dec/2015	Commercial	Vacant	53,779	169,305	100%	169,305
Beijing Mingfa Mall	Located in Beizang Village, Daxing district, Beijing	Dec/2014	Residential/Commercial	Vacant	45,414	127,159	100%	127,159
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2015	Commercial	Vacant	209,048	418,096	100%	418,096
New property in Lanzhou	Located in Weijia Village of Southwest region	Dec/2015	Residential/Commercial	Vacant	890,594	890,594	51%	454,203
Sub-total					**1,372,768**	**2,171,147**		**1,734,756**
Total land bank					**7,059,404**	**10,263,691**		**9,193,497**

Notes:

1. Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates have been obtained as at 31 December 2012.

2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works, and (b) the land use rights certificates have been obtained as at 31 December 2012.

3. The site area is in respect of the whole property (regardless of GFA that have been sold).

4. The approximate leasable and saleable GFA have excluded the GFA that have been sold/leased.

Summary of Properties Held by the Group for Investment

The following table summarizes the details of the Group's major properties held for investment:

Property	Location	Existing Usage	Attributable GFA (sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Commercial	103,096	8–20 years	70%–100%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Commercial	135,436	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan Village, Pukou district, Nanjing, Jiangsu Province	Commercial	4,121	3–9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No. 2 Honglian Road West, Siming District, Xiamen, Fujian Province	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located at Honglian Road, Siming district, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No. 6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Commercial	112,416	Under construction	100%
Lianfeng Building Room 401	Located at Lianqian East Road, Siming District, Xiamen, Fujian Province	Office	2,028	8 years	100%
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Industrial	236,282	3 years	51%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Commercial	4,687	15–20 years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Commercial	97,681	15–20 years	100%
Quanzhou Mingfa Hotel	Located in Licheng district, Jiangnan Torch Village, Quanzhou, Fujian Province	Hotel	13,707	5 years	100%
Yangzhou Mingfa Shopping Mall	Located at south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Commercial	37,362	15 years	100%
			857,580		

Progress of Development on Major Projects

The progress and current status of the development of the Group's major projects in various sites and locations are as follows:

Xiamen Mingfa Harbour Resort

Xiamen Mingfa Harbour Resort is located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli district, Xiamen, Fujian Province.

The resort is expected to comprise a high-end hotel and 30 townhouse units with conferencing, accommodation, leisure and entertainment facilities. Most of the hotel rooms will have panoramic ocean view. The resort is less than five minutes away by car from Xiamen International Airport, and close to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and the Xiangshan International Yacht Pier.

With its attractive location, scenic surroundings, convenient transportation and surrounding infrastructure, we believe that this resort will become one of the Xiamen's landmark hotel developments.

The site area for this project is approximately 58,952 sq.m., with an aggregate GFA of approximately 161,705 sq.m. Construction of the project has been commenced in December 2010 and is expected to be completed by December 2013.

Zhangzhou Mingfa Shopping Mall

Zhangzhou Mingfa Shopping Mall is located in Long Wen district, east of Long Jiang Road, north of Shui Xian Street, west of No. 6 Road and south of Xin Pu Road, Zhangzhou, Fujian Province.

Zhangzhou Mingfa Shopping Mall is designed as an integrated commercial complex providing residential, retail, office, dining, entertainment and hotel facilities with a total GFA of approximately 688,383 sq.m. It is conveniently located near a transportation hub that provides high speed train services. The Group plans to introduce well-known brands as anchor tenants for the project.

As at 31 December 2012, completion certificate had been granted for GFA of 241,222 sq.m.

As at 31 December 2012, we had pre-sold GFA of 147,205 sq.m. and expected to deliver the properties to the buyers in December 2013 upon completion.

Zhenjiang Jinxiu Yinshan

Zhenjiang Jinxiu Yinshan is located in the centre of Zhenjiang City, Jiangsu Province, near the New Administration Centre of Zhenjiang and adjacent to the local government's new administrative centre.

Zhenjiang Jinxiu Yinshan is designed to be an integrated residential, commercial and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented with retail shops, restaurants and themed pedestrian-only walkways. This project is adjacent to Yinshan Park, local sports facilities, commercial streets and other large residential districts nearby. Total GFA of this project is approximately 404,678 sq.m.

As at 31 December 2012, completion certificate had been granted for GFA of 53,278 sq.m.

As at 31 December 2012, an aggregate GFA of 40,956 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon completion in December 2013.

Huai'an Mingfa Shopping Mall (Block A)

Huai'an Mingfa Shopping Mall is located at Shenzhen South Road, Huai'an, Jiangsu Province.

Huai'an Mingfa Shopping Mall is designed to be a commercial complex and will form an integral part of our shopping mall.

The site area of the project is approximately 133,110 sq.m., with an aggregate GFA of approximately 266,335 sq.m.

The project is expected to be completed in December 2014.

Huai'an Mingfa Shopping Mall (Block C)

Huai'an Mingfa Shopping Mall is located at Weihai East Road, Huai'an, Jiangsu Province.

Huai'an Mingfa Shopping Mall is designed to be a residential complex and will integrate with the planned commercial properties in our Shopping Mall in Huai'an.

The site area of the project is approximately 51,345 sq.m., with an aggregate GFA of approximately 154,035 sq.m.

The project is expected to be completed in December 2013.

As at 31 December 2012, an aggregate GFA of 53,251 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon completion in December 2013.

Shenyang Mingfa Jinxiu Hua City

Shenyang Mingfa Jinxiu Hua City is located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province. Shenyang Mingfa Jinxiu Hua City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 61,222 sq.m., with an aggregate GFA of approximately 306,110 sq.m.

The project is expected to be completed in December 2014.

As at 31 December 2012, an aggregate GFA of 47,668 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon completion in December 2014.

Wuxi Mingfa International New Town

Wuxi Mingfa International New Town is located at south of Yangqiao Town, Huishan district, Wuxi, Jiangsu Province.

Wuxi Mingfa International New Town is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 258,297 sq.m., with an aggregate GFA of approximately 549,561 sq.m.

The project is expected to be completed in December 2014.

As at 31 December 2012, completion certificate had been granted for GFA of 221,630 sq.m.

As at 31 December 2012, an aggregate GFA of 31,177 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon completion in December 2013.

Yangzhou Mingfa Jiangwan City

Yangzhou Mingfa Jiangwan City is located at East of Xuzhuang Road, North of Kaifa East Road, Yangzhou, Jiangsu Province.

Yangzhou Mingfa Jiangwan City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 158,238 sq.m., with an aggregate GFA of approximately 221,533 sq.m.

The project is expected to be completed in December 2014.

As at 31 December 2012, an aggregate GFA of 10,421 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon completion in December 2014.

Quanzhou Mingfa Huachang International Town

Quanzhou Mingfa Huachang International Town is located at Guanqiao Town, Neicuo Village, Nanan, Fujian Province.

Quanzhou Mingfa Huachang International Town is designed as an integrated residential and commercial properties complex.

The site area of the project is approximately 276,120 sq.m., with an aggregate attributable GFA of approximately 349,253 sq.m.

The project is expected to be completed in December 2015.

As at 31 December 2012, an aggregate attributable GFA of 8,874 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon completion in December 2015.

Taizhou Mingfa City Complex

Taizhou Mingfa City Complex is located at west of Machang Zhonggou and south of Huangang Avenue, Gaogang district, Taizhou, Jiangsu Province.

Taizhou Mingfa City Complex is designed as an integrated residential and commercial properties complex.

The site area of the project is approximately 292,487 sq.m. with an aggregate attributable GFA of approximately 731,300 sq.m.

The project is expected to be completed in December 2015.

As at 31 December 2012, an aggregate GFA of 17,756 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon completion in December 2015.

Zhangzhou Longhai Mingfa Mall

Zhangzhou Longhai Mingfa Mall is located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province.

Zhangzhou Longhai Mingfa Mall is designed as an integrated residential and commercial properties complex.

The site area of the project is approximately 32,163 sq.m. with an aggregate attributable GFA of approximately 277,762 sq.m.

The project is expected to be completed in December 2014.

Nanjing Mingfa Business Park

Nanjing Mingfa Business Park is located in Nanjing High-Tech Development Zone, Pukou district, Nanjing, Jiangsu Province.

This project is intended to integrate technology development, business quarters and product exhibition centres, and expects to target middle-to-large scale, domestic and international businesses. The buildings within the project can be customised to meet the specific design and layout needs of our customers.

The site area of the project is approximately 547,215 sq.m. with an aggregate attributable GFA of approximately 827,762 sq.m.

The project is expected to be completed in December 2015.

Properties to be completed in 2013

Set out below is the details of the properties expected to be completed by the Group in 2013. The total GFA available for sale/leasing by the Group will be approximately 762,901 sq.m. including those already pre-sold as at 31 December 2012.

Property	Expected Completion Date	GFA Available for Sale/ Leasing (sq.m.)	Percentage of Interest in the Property Attributable to the Group	Usage
Xiamen Minga Harbour Resort	Dec/2013	161,705	100%	Hotel and serviced apartment
Zhangzhou Mingfa Shopping Mall	Dec/2013	447,161	100%	Commercial & residential
Huai'an Mingfa Shopping Mall (Block C)	Dec/2013	154,035	100%	Commercial & residential
		762,901		

ACQUISITION FRAMEWORK AGREEMENTS

As at 31 December 2012, the Group had entered into thirteen memoranda of understanding (the "**MOU(s)**") with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. Four of them were signed in 2012 and the other nine MOUs were signed before 2012. These MOUs are not binding and there is no assurance that the Group will be granted with the land use rights after signing of the MOUs. On the contrary, the MOUs only set out the parties' intention of cooperation in the future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use rights from the PRC governmental authorities for such lands. Notwithstanding that, the Company considers these as opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run. Summary of these MOUs and the related projects are listed as follows:

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	*Note*
Huai'an Mingfa International Industrial Material Park and Mingfa International Town (淮安明發國際工業原料城和明發國際城)	Huai'an City, Jiangsu Province	28-Nov-07	666,670	1,180,219	(1)
Tianjin Jingjin Mingfa International Town (天津京津明發國際城)	Tianjin City	6-Dec-09	1,533,341	3,000,000	
Shenyang Creative Park (瀋陽創意產業園)	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000	(2)
Shenyang residential and commercial complex (瀋陽商住項目)	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000	(3)
Panjin Mingfa City Square (盤錦明發城市廣場)	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996	
Changsha Wangcheng district Binshui New Town Commercial Centre Project (長沙市望城縣濱水新城商業中心項目)	Changsha City, Hunan Province	1-Dec-10	316,154	1,106,539	
Jiangsu Taizhou Mingfa City complex Project (江蘇泰州明發城市綜合體項目)	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685	(4)
Tianjin Mingfa City complex Project (天津明發城市綜合體項目)	Tianjin City	9-Mar-11	280,000	560,000	(5)
Shenyang Mingfa Integrated Science and Technology Park (瀋陽明發綜合科技園)	Shenyang City, Liaoning Province	23-Sep-11	1,344,007	1,830,000	
Nanjing Software Park Starting Area Project (南京軟件園啓動區項目)	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project (南京紫金(浦口)科技創業特別社區2#地塊項目)	Nanjing City, Jiangsu Province	9-Oct-12	200,001	800,000	

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	*Note*
Nanjing Mingfa New Town Financial Center Project (南京明發新城金融中心項目)	Nanjing City, Jiangsu Province	11-Oct-12	59,042	295,209	
Nanjing Software Valley Technology City Project (南京軟件谷科技城項目)	Nanjing City, Jiangsu Province	6-Dec-12	106,667	373,335	
			7,674,694	**17,607,983**	

Notes:

(1) The Group had acquired three plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Weihai East Road and at Shenzhen South Road in Huai'an. Total land area and GFA is approximately 184,455 sq.m. and 420,370 sq.m. respectively.

(2) The Group had acquired five plots of land from 2010 to 2012 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 531,262 sq.m. and 1,216,548 sq.m. respectively.

(3) The Group had acquired two plots of land from 2010 to 2012 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 66,690 sq.m. and 360,777 sq.m. respectively.

(4) The Group had acquired two plots of land in 2011 under the MOU signed on 22 December 2010. The land is located at west of Machang Zhonggou, south of Huangang Avenue and at east of Diaodong Zhouggou, south of Huangang Avenue in Taizhou. Total land area and GFA is approximately 292,487 sq.m. and 731,300 sq.m. respectively.

(5) The Group had acquired three plots of land in 2011 under the MOU signed on 9 March 2011 which are located in Tanggu Marine Hi-Tech Development Zone, Tianjin. Total land area and GFA is approximately 209,048 sq.m. and 418,082 sq.m. respectively.

RECOGNITION OBTAINED BY THE GROUP

The Group was granted various awards by the PRC Government and other recognized authorities in 2012 and details of which are set out as follows:

Name of Award	Award Presenter
Qualified Property Brand — Mingfa Group	Sohu Focus
Donation (Bring warmth with compassionate donations)	Dingshan Street Police Station
The Best Marketing Project of Hefei's Property Market in 2012 — Hefei Shopping Mall	SouFun, ChinaIndex Academy
The Most Influential Enterprise Brand of Hefei in 2012 — Hefei House	SouFun, ChinaIndex Academy
Top 100 Retail Shops of China in 2012 — Hefei Shopping Mall	The Seventh Annual Meeting of China's Commercial Property Committee in 2012
Model Property with Investment Value by Anhui Normal University in 2012 — Hefei Shopping Mall	news.xafc.com
Top 50 Properties of Hefei in 2012 — Hefei Shopping Mall	SouFun
Model Property with Investment Value of Yangzhou in 2012 — Mingfa Jiangwan City	Yangzhou Newspaper Media Group
Great Property with Potential of Yangzhou in 2013 — Mingfa Jiangwan City	SouFun

HUMAN RESOURCES

As at 31 December 2012, the Group employed a total of 2,158 staff (31 December 2011: 1,962 staff). The increase was due to more engineering and supporting staff was recruited for new projects started in 2012. For 2012, the staff costs of the Group including Directors' emoluments was approximately RMB148.4 million (2011: approximately RMB119.3 million), representing an increase of approximately 24.4%. The increase was mainly due to the annual salary adjustment and increase in the number of staff in 2012. The staff costs include basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, training and pregnancy insurance plan. The Group provided various training opportunities to employees in order to enhance the competitiveness of the employees and the Company, including training from PRC Financial Centre for accounting teams and other training in relation to the latest group reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review on the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering the grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the employment market.

PENSION SCHEME

The Group maintains different pension schemes and retirement schemes for its employees in different locations in accordance with applicable laws and regulations of different jurisdictions.

The Group has participated in the mandatory provident fund scheme (the "**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates.

In relation to the employees in the PRC, the PRC Government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. For 2012, the contribution to the above retirement benefit schemes made by the Group amounted to approximately RMB11.9 million.

DIVIDEND POLICY

The Board shall determine the dividend policy of the Company in future according to the financial condition in general, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

PROSPECTS

The Group had achieved record high contracted sales for the year of 2012, during which the GFA and sales amount were 707,028 sq.m. and approximately RMB5.3 billion respectively.

The Group will further strengthen its foundation in the commercial properties sector as well as the residential properties sector in the 2nd- and 3rd-tier cities by increasing its land banks steadily. Meanwhile, the Group will increase steady and regular rental income by means of increasing our investment properties.

Major anchor tenants, including supermarkets, cinema, department stores, KTV and etc., had moved into Nanjing Mingfa Shopping Mall and Hefei Mingfa Shopping Mall in 2012. Regular and stable rental income will be definitely increased. Meanwhile, as the number of visitors increases, ASP for the unsold commercial properties in the shopping malls will increase accordingly.

Nanjing government intends to develop an international software city and expects to generate a revenue of approximately RMB400 billion in 2015 by launching the policy "One Valley and Two Parks" in 2011. In response to this policy, 49% equity interests of a project company was sold to an investment arm of Nanjing government in January 2012. Properties owned by this project company will be used as the pilot project to develop the software city in Nanjing. The transaction has been completed in the second half of 2012.

The Group selectively builds up its land reserve primarily through public auction of land arranged by the PRC government or through acquisition of the project companies which hold land use rights. In addition, the Group will also act proactively and seize opportunities to approach, discuss and enter into MOUs with the relevant PRC governmental bodies in relation to various development of land designated for sizable commercial and residential complex in different cities and locations. Although these MOUs are not binding and there is no assurance that the Group will be granted the land use rights after signing of the MOUs, the Group considers these as opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC government authorities which are in the interest and to the benefit of the Group in the long run. During 2012, we have signed 4 new MOUs with local government.

Looking forward, the Group will continue to maintain a balanced properties mix and cooperate with the local governments of the PRC to speed up urbanization through the execution of the MOUs and believes that though the real estate measures will not be loosened in the near future, the Group's financial performance and business outlook will remain steady in 2013.

FINANCIAL ANALYSIS

The gross profit of the Group amounted to approximately RMB1,191.1 million for 2012, representing an decrease of approximately 21.6% over 2011 (2011: approximately RMB1,519.8 million). The major reason for the decrease in the gross profit was the change of properties mix. 80% and 44% of properties sales was generated from residential properties in 2012 and 2011 respectively. Gross profit of residential properties is generally lower than commercial properties.

The audited profit attributable to the equity holders of the Company was approximately RMB1,764.7 million for 2012, representing an increase of approximately RMB167.7 million or approximately 10.5% from that of 2011. The major reason for the increase was the set off effect among the decrease in gross profit of approximately RMB328.7 million in 2012, the increase in the gain from disposal of a jointly-controlled entity after tax of approximately RMB822.2 million in 2012 and the net decrease in fair value gains of investment properties and derivative financial instruments after tax from approximately RMB1,131.7 million in 2011 to approximately RMB809.4 million in 2012.

CAPITAL STRUCTURE

As at 31 December 2012, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB680.1 million (31 December 2011: approximately RMB513.0 million).

The current ratio as at 31 December 2012 was 1.10 (31 December 2011: 1.18).

As at 31 December 2012, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB5,647.3 million and RMB1,540.6 million respectively (31 December 2011: approximately RMB1,865.2 million and RMB4,597.2 million respectively).

The interest expenses including the capitalized interest expenses and the finance costs arising from the convertible bonds amounted to approximately RMB718.7 million (2011: approximately RMB531.8 million) in total.

In addition, interests with an amount of approximately RMB512.0 million (2011: approximately RMB321.6 million) were capitalized in 2012. Interest cover (including amount of interests capitalized) was 3.82 times (2011: 5.2 times).

As at 31 December 2012, the ratio of total liabilities to total assets of the Group was 69.5% (31 December 2011: 72.9%).

As at 31 December 2012, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 81.0% (31 December 2011: 92.2%). As at 31 December 2012, the ratio of non-current bank loans and other borrowings to total assets was 4.8% (31 December 2011: 17.1%).

As at 31 December 2012, the gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 40.9% (31 December 2011: 47.7%).

FUNDING AND TREASURY POLICY

The Group utilizes cash flows generated and bank loans to finance its operations, construction and capital expenditure; to increase its land banks; to discharge its debt and to ensure the continuous growth of the Group's business.

CAPITAL COMMITMENTS

As at 31 December 2012, the contracted capital commitments of the Group were approximately RMB4,270.1 million (31 December 2011: approximately RMB4,687.4 million), which were mainly the capital commitments for property development and acquisition of the project companies. It is expected that the Group will finance such commitments from internally generated fund and resources.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2012, the contingent liabilities of the Group were approximately RMB3,080.5 million (31 December 2011: approximately RMB3,227.3 million), which were mainly the guarantees given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following completion of transfer of property title by the Group to the buyers.

PLEDGE OF ASSETS

As at 31 December 2012, investment properties of the Group with net book value of approximately RMB3,844.4 million (31 December 2011: approximately RMB3,638.4 million), buildings of approximately RMB110.8 million (31 December 2011: approximately 127.4 million), land use rights of approximately RMB1,774.5 million (31 December 2011: approximately RMB2,301.3 million), completed properties held for sale of approximately RMB2,322.7 million (31 December 2011: approximately RMB2,193.7 million), properties under development of approximately RMB491.3 million (31 December 2011: Nil) and restricted bank deposits of approximately RMB355.0 million (31 December 2011: approximately RMB100.0 million) were pledged to secure the banking facilities of the Group. Cash deposits of approximately RMB40.4 million (31 December 2011: approximately RMB40.4 million) were restricted and deposited in certain banks as security for project construction. Another cash deposits of approximately RMB63.0 million (31 December 2011: approximately RMB244.6 million) were restricted and deposited in certain banks as security for bank notes.

FOREIGN EXCHANGE RISK

As at 31 December 2012, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars and US dollars in the respective proportions of 97.9%, 1.4% and 0.7% (31 December 2011: Renminbi, Hong Kong dollars and US dollars accounted for 85.0%, 14.6% and 0.4% respectively of the total bank balances of the Group). The bank loans and other borrowings maintained by the Group were denominated in Renminbi and Hong Kong dollars in respective proportions of 63.1% and 36.9% (31 December 2011: Renminbi and Hong Kong dollars accounted for 62.8% and 37.2% respectively of the total bank loans and other borrowings of the Group).

As the sales, purchases, bank borrowings and other borrowings of the Group in 2012 were made mainly in Renminbi and Hong Kong dollars, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted either in Renminbi or Hong Kong dollars, the Group will convert the Hong Kong dollars and US dollars bank balances into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2012, and the Group believes that the foreign exchange risk exposed by the Group was relatively minimal.

INTEREST RATE RISK

As at 31 December 2012, the majority of the bank borrowings of the Group were floating rate borrowings and were denominated in Renminbi or Hong Kong dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the principles and the provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "**New CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") throughout the year under review, except as noted hereunder.

The Company has not yet confirmed an insurance scheme for the Company's Directors and officers as required by the code provision A.1.8 of the New CG Code. The Company has been undergoing the evaluation process and consulting with insurance service providers for arranging an appropriate insurance coverage for the Directors and officers of the Company.

The Non-Executive Director of the Company has not been appointed for a specific term pursuant to code provision A.4.1. The appointment of the Non-Executive Director of the Company is in effect until such appointment is terminated in accordance with the articles of association of the Company. His appointment is a condition to the issue of the 2015 Bonds and is in line with the common practice of Warburg Pincus to send board representative to its invested entities, and as the issue of convertible bonds can strengthen the financial positions of the Company, the Company considers that the noncompliance with code provision A.4.1 is acceptable.

In respect of code provision A.6.7 of the New CG Code, two Independent Non-Executive Directors were unable to attend the annual general meeting of the Company held on 18 May 2012 due to other business commitments at the relevant time.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as desirable for future development of the operating activities or business of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors of the Company's securities transactions on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions for the year ended 31 December 2012.

BOARD OF DIRECTORS

Directors during the year under review were as follows:

Executive Directors
Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui

Non-Executive Director
Mr. Chi Miao

Independent Non-Executive Directors
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Qu Wenzhou

Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui are all family brothers.

The Directors' biographical information are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report. All Executive Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director has sufficient experience to hold the position so as to perform his duties effectively and efficiently.

A total of four Board meetings were held during the year under review. The individual attendance of each Director was as follows:

Name of Director	Number of Attendance
Mr. Wong Wun Ming *(Chairman)*	4
Mr. Huang Qingzhu	3
Mr. Huang Lianchun	3
Mr. Huang Li Shui	3
Mr. Chi Miao	3
Mr. Wong Po Yan	2
Mr. Dai Yiyi	4
Mr. Qu Wenzhou	4

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

Save as disclosed in the section of "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report, none of the Directors has any other directorships in listed companies.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the role of the chairman was performed by Mr. Wong Wun Ming who has been responsible for the overall strategic planning and management of the Group, and also responsible for ensuring effectiveness of the Board, promoting the Company and upholding the Company's corporate governance. The role of the Chief Executive Officer of the Company was performed by Mr. Huang Qingzhu who has been responsible for overall daily operation of the Group.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The appointment of Mr. Chi Miao, the Non-Executive Director, is in effect until such appointment is terminated in accordance with the articles of association of the Company. The appointment of Mr. Chi Miao is a condition to the issue of the convertible bonds by the Company in December 2010. Such appointment is in line with the common practice of Warburg Pincus to send board representative to its invested entities, and as the issue of convertible bonds can strengthen the Group's financial positions, the Board considers that the non-compliance with code A.4.1 in Appendix 14 of the Listing Rules is acceptable. Mr. Chi Miao, the Non-Executive Director, has agreed not to receive any Director's emolument.

The Company had appointed three Independent Non-Executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each of the Independent Non-Executive Directors has been appointed for a term of 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has set up a remuneration committee (the "**Remuneration Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, to review performance based on remuneration and to ensure none of the Directors can determine their own remuneration.

The chairperson of the Remuneration Committee is our Independent Non-Executive Director Mr. Qu Wenzhou. The other members are our Independent Non-Executive Directors Mr. Wong Po Yan and Mr. Dai Yiyi and our Non-Executive Director Mr. Chi Miao.

One Remuneration Committee meeting was held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Attendance
Mr. Qu Wenzhou *(chairperson of the Remuneration Committee)*	1
Mr. Wong Po Yan	1
Mr. Dai Yiyi	1
Mr. Chi Miao	1

The tasks performed by the Remuneration Committee during the year under review in discharging its responsibilities were:

(a) to assess performance of Executive Directors and to review the remuneration policy and structure of the Directors and senior management of the Group;

(b) to review and approve the remuneration packages for all Executive Directors, Independent Non-Executive Directors and senior management; and

(c) to review the terms of reference of the Remuneration Committee.

The Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual Executive Directors, Independent Non-Executive Directors and senior management of the Company and have access to professional advice, if necessary.

The basis of the emolument payable to the Directors is determined with reference to the range of prevailing remuneration for directors of listed companies in Hong Kong and is subject to the approval of the Board. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 33 to the financial statements.

NOMINATION OF DIRECTORS

The Company has set up a nomination committee (the "**Nomination Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Nomination Committee are to formulate nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and to recommend suitable candidates for Directors and senior management to the Board.

The chairperson of the Nomination Committee is Mr. Dai Yiyi. The other members are Mr. Wong Po Yan and Mr. Qu Wenzhou. All are Independent Non-Executive Directors.

One Nomination Committee meeting was held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Attendance
Mr. Dai Yiyi *(chairperson of the Nomination Committee)*	1
Mr. Wong Po Yan	1
Mr. Qu Wenzhou	1

The tasks performed by the Nomination Committee during the year under review in discharging its responsibilities were:

(a) to review the structure, size and composition of the Board;

(b) to assess the independence of Independent Non-Executive Directors;

(c) to recommend re-election of retiring Directors, namely Mr. Wong Po Yan, Mr. Dai Yiyi and Mr. Qu Wenzhou as Independent Non-Executive Directors to the Board; and

(d) to review the terms of reference of the Nomination Committee.

AUDIT COMMITTEE

The Company has set up an audit committee (the "**Audit Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee include making recommendations to the Board in relation to the independency and engagement of external auditor, monitoring the integrity, accuracy and fairness of financial statements, reviewing the system of financial control, internal control and risk management, overseeing the audit process, reviewing the corporate governance practices of the Company; and performing other duties and responsibilities as assigned by the Board.

The Board delegates its following responsibility and duties in relation to the corporate governance to the Audit Committee:

- to develop and review the policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and Senior Management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Company's Corporate Governance Report to the Listing Rules.

The chairperson of the Audit Committee is Mr. Qu Wenzhou. The other members are Mr. Wong Po Yan and Mr. Dai Yiyi. All are Independent Non-Executive Directors of the Company.

Two Audit Committee meetings were held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Attendance
Mr. Qu Wenzhou *(chairperson of the Audit Committee)*	2
Mr. Wong Po Yan	1
Mr. Dai Yiyi	2

The tasks performed by the Audit Committee during the year under review in discharging its responsibilities were:

(a) to review and adopt the accounting policies and treatments to be adopted in the interim report and the annual report of the Group;

(b) to review the interim and the annual consolidated financial statements;

(c) to review the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget and the effectiveness of the internal audit function;

(d) to review the performance of the external independent auditor;

(e) to review the terms of reference of the Audit Committee; and

(f) to review the corporate governance policies and practices of the Company and make recommendation to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirement; to review the training and continuous professional development of the Directors and senior management of the Company and to review the disclosure made in the corporate governance report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment as our Directors, each newly appointed Director receives comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being our Director, in order to ensure each Director is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company has been encouraging all Directors and also senior executives to equip themselves with relevant up-dated knowledge and skills. According to the training record maintained by the Company, each Director has confirmed that he has obtained reading and training materials during the year under review. The trainings include but not limited to, Company's performance on a monthly basis, Director's duties, Listing Rules, corporate governance practices and Securities Ordinance Act amendments:

Name of Director	Obtained Reading and Training Materials
Mr. Wong Wun Ming	Yes
Mr. Huang Qingzhu	Yes
Mr. Huang Lianchun	Yes
Mr. Huang Li Shui	Yes
Mr. Chi Miao	Yes
Mr. Wong Po Yan	Yes
Mr. Dai Yiyi	Yes
Mr. Qu Wenzhou	Yes

DIRECTOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view of the Company and the Group.

AUDITOR'S REMUNERATION

For 2012, the remuneration of the Company's auditor for reviewing of the half-yearly interim financial information of the Group and auditing the annual consolidated financial statements of the Group was approximately RMB4.25 million in aggregate.

During the year under review, there were no other significant non-audit service assignments being performed by the auditor of the Group.

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL OF THE GROUP

The Board has the responsibility for maintaining a sound and effective system of internal control. The Directors, through the Audit Committee, have conducted a review of the effectiveness of the system of internal control of the Group including the duties and responsibilities of the compliance department of the Group, the existing internal compliance procedures and the customized and continuing compliance trainings, and have resolved that there is an ongoing system in place for identifying, evaluating and managing significant risks which will be faced by the Group.

SHAREHOLDERS' RIGHTS

Communication Channel

The Company publishes corporate communications and its Shareholders Communication Policy on the websites of its own (http://ming-fa.com) and of the Stock Exchange (http://www.hkex.com).

Shareholders of the Company and the investment community may at any time make enquiries to the Company and make a request for the Company's information to the extent such information is publicly available through the following means:

By post:
Mingfa Group (International) Company Limited
Units 6-8, 23/F., Greenfield Tower, Concordia Plaza
1 Science Museum Road,
Tsim Sha Tsui, Kowloon, Hong Kong
Attention: Company Secretary

By telephone: +852 2620 5885
By email: info@ming-fa.com

The Board and senior management maintain a continuing dialogue with the Company's shareholders (the "**Shareholders**") and investment community through various channels including the Company's annual general meeting. The chairman and other members of the Board attend the annual general meeting of the Company. Directors will answer questions raised by the Shareholders on the performance of the Group. The Company also holds investor relations conference following the release of full year results announcement at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

GENERAL MEETING

One general meeting was held during the year under review. In respect of code provision A.6.7 of the New CG Code, the following lists out the individual attendance of each Director to the annual general meeting of the Company which was held on 18 May 2012:

Name of Director	Number of Attendance
Mr. Wong Wun Ming	1
Mr. Huang Qingzhu	0
Mr. Huang Lianchun	0
Mr. Huang Li Shui	0
Mr. Chi Miao	1
Mr. Wong Po Yan	0
Mr. Dai Yiyi	0
Mr. Qu Wenzhou	1

Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company ("EGM")

Registered Shareholder(s) holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at a general meeting of the Company ("**EGM Requisitionist(s)**") can deposit a written request to convene an EGM at the registered office of the Company (the "**Registered Office**"), which is presently situated at the offices of Offshore Incorporations (Cayman) Limited, Scotia Center, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

EGM Requisitionist(s) must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrars of the Company (the "**Share Registrars**") will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the company secretary of the Company will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There are no provision allowing Shareholders to move new resolution at general meetings under the Cayman Islands Companies Law (2012 revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding section headed "Procedures for Shareholders to convene an EGM.

Procedures for Shareholders to Propose a Person for Election as a Director

Details of the procedures had been made available online in the websites of the Company (http://ming-fa.com) and of the Stock Exchange (www.hkex.com.hk).

CONSTITUTIONAL DOCUMENT

Pursuant to the amended Listing Rules effective 1 April 2012, the Company had published online its memorandum and articles of association (the "**M&A**") that was resolved and adopted by the Shareholders on 9 October 2009 in the websites of the Company and the Stock Exchange. During the year under review, no amendment to the M&A was made therein.

For and on Behalf of the Board
Mingfa Group (International) Company Limited
Wong Wun Ming
Chairman

18 March 2013

MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED — PARTICIPATION IN THE COMMUNITY AND PLOUGH BACK TO THE SOCIETY

The Group has been paying close attention to the needs of the society and the Group is willing to shoulder social responsibilities and make contributions to those in needs, particularly in the areas of education and environment protection.

In 2012, the Group had donated a total of approximately RMB3.2 million to various charitable associations in the PRC to support and finance their charitable activities. In future, the Group will continue to make contributions to support charitable activities and plough back to the society.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. WONG Wun Ming (黃煥明), aged 49, was appointed as our Chairman and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of the Group's strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006–2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

Mr. Wong has involved in PRC real estate development since 1986 when he formed his own construction company. Mr. Wong accumulated valuable experience in construction and management as the market for commodity housing projects opened up around the early nineties. In 1994, Mr. Wong co-founded our Group with his brother Mr. Huang Qingzhu by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Qingzhu (黃慶祝), aged 42, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of our Group and has been responsible for the day to day management and overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 15 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of our Company from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as an advanced economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Lianchun (黃連春), aged 40, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the day to day operations of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

Prior to being appointed as a Director, Mr. Huang served as a general manager of Mingfa Group Nanjing Real Estate Development Co., Ltd. from 2002 to 2009 and a general manager of Mingfa Group Co., Ltd. from 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui, our Directors.

Mr. HUANG Li Shui (黃麗水), aged 55, was appointed as our Non-Executive Director on 27 November 2007 and redesignated as an Executive Director on 20 April 2010. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He has more than ten years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, Mr. Huang served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

Non-Executive Director

Mr. CHI Miao (遲淼), aged 41, has been appointed as a Non-Executive Director with effect from 10 December 2010. Mr. Chi is currently a managing director of Warburg Pincus. He joined Warburg Pincus in 2005 and he focuses on investments in the residential, commercial and hospitality sectors. Prior to joining Warburg Pincus, Mr. Chi was an investment services manager with CB Richard Ellis ("**CBRE**") in Shanghai. Prior to his employment at CBRE, he worked for a local real estate developer in Dalian. Mr. Chi received a MBA degree from the University of Chicago Graduate School of Business.

Mr. Chi was a non-executive director of a Hong Kong listed company, Renhe Commercial Holdings Company Limited (stock code: 1387) from 9 March 2009 to 1 December 2011. He was also the non-executive director of 7 Days Group Holdings Limited (NYSE: SVN) which is listed in New York until 5 May 2011.

Independent Non-Executive Directors

Mr. WONG Po Yan (黃保欣), *GBM, CBE, JP*, aged 89, was appointed as an Independent Non-Executive Director on 9 October 2009. He is the founder of United Overseas Enterprises, Ltd. and served as its Chairman and Managing Director from 1958 to 2007. United Overseas Enterprises, Ltd., a private company incorporated in Hong Kong in 1958, is an exporter and manufacturer of plastic products whose key export markets include China, Africa, Europe and the United States. Mr. Wong is committed to a variety of social responsibilities, including the Honorary President of Chinese Manufacturers Association and the Honorary Chairman of Hong Kong Plastic Material Suppliers Association as well as the Honorary Chairman of the Nuclear Safety Committee of Guangdong Daya Bay Nuclear Power Station.

Mr. Wong was the Vice Chairman of the Hong Kong Basic Law Committee under the Standing Committee of National People's Congress (1997–2006) and the Chairman of the Hong Kong Airport Authority from 1995 to 1999. He was a member of the Hong Kong Basic Law Committee from 1985 to 1990 and a member of the Hong Kong Legislative Council from 1979 to 1988.

Mr. Wong is currently an independent non-executive directors of FinTronics Holdings Company Limited (stock code: 706), Sinopec Kantons Holdings Limited (stock code: 934), Shenzhen Investment Limited (stock code: 604) and Allied Group Limited (stock code: 373), which are all listed companies in Hong Kong. Mr. Wong was the independent non-executive directors of China Electronics Corporation Holdings Company Limited (stock code: 85) from 23 May 1997 to 31 October 2012 and of Alco Holdings Limited (stock code: 328) from 6 November 1992 to 6 November 2011, both are listed companies in Hong Kong.

Mr. Wong received an honorary doctorate degree in social science from Hong Kong Baptist University in 1994 and an honorary doctorate degree in business administration from the City University of Hong Kong in 1993. He graduated from Xiamen University with a bachelor degree in chemistry in 1945.

Mr. DAI Yiyi (戴亦一), aged 45, was appointed as an Independent Non-Executive Director on 9 October 2009. Mr. Dai is currently the Vice Dean of the Xiamen University School of Management and a full-time professor of the MBS Professional Graduate Program of Xiamen University School of Management. He is also the Chair Professor of the Real Estate "CEO Class" (總裁班) at Tsinghua University and Peking University.

Since 2005, Mr. Dai has acted as a consultant to the Fujian Province Real Estate Association. He was a senior visiting scholar at Northwestern University from 2007 to 2008. He was the Director and Deputy Director of the EMBA Professional Graduate Program of Xiamen University School of Management from 2003 to 2007. He was a senior visiting scholar at McGill University's School of Management in 2002 and a deputy director of the Department of Planning and Statistics at Xiamen University School of Economics from 1993 to 2001.

Mr. Dai is currently an independent non-executive director of Xiamen C&D Inc. (stock code: 600153), Xiamen ITG Group Corp., Ltd. (stock code: 600755) and Shanghai Xinye Resources Holdings Limited (stock code: 600603), which are companies listed on the Shanghai Stock Exchange and are engaged in real estate development and resources in addition to other principal businesses, as well as Guangdong Shirongzhaoye Co., Ltd (stock code: 002016) and Fujian Septwolves Industry Co., Ltd. (stock code: 002029), both companies are listed on the Shenzhen Stock Exchange. Mr. Dai is also an independent non-executive director of China SCE Property Holdings Limited (stock code: 1966) which is a company listed on the Hong Kong Stock Exchange.

Mr. Dai obtained his doctorate degree in economics from Xiamen University in 1999 and his bachelor degree in economics in 1989 and also graduated from the Sixth Ford Class (福特班六期) of the Sino-American Economic Studies Training Centre at Renmin University of China. He later became a certified property valuer in the PRC in 1997.

Mr. QU Wenzhou (屈文洲), aged 40, was appointed as an Independent Non-Executive Director on 19 August 2010.

Mr. Qu is a professor of Finance, a doctoral supervisor, a doctor of Economics (Finance), a post doctor of the School of Economics and Management of Tsinghua University, a chartered financial analyst (CFA), a certified public accountant (CPA). He is currently the vice president of the Institute for Financial and Accounting Studies of Xiamen University, the deputy director of the Department of Finance of the School of Management of Xiamen University, the director of the Chinese Capital Market Research Centre of Xiamen University. He is also the secretary for the Subject Appraisal Panel (Business and Administration Unit) of the Academic Degree Committee of the State Council, a member of the Eleventh All-China Youth Federation, a member of the Fujian Province Youth Federation, a member of the Xiamen City Youth Federation, an expert of the Communication Panel of National Natural Science Foundation of China and National Social Science Fund, a member of the Social Sciences and Humanities Federation of Xiamen University and the reviewer of the "Economic Research Journal", "Journal of Management Sciences in China", "Journal of Financial Research", "Nankai Business Review", "Quarterly Journal of Finance" and "China Financial Review".

Mr. Qu has more than ten years of experience in securities investments through his work with the Research Institute of the Shenzhen Stock Exchange, his role as a securities investment manager in a securities trust firm. He is a forerunner with the professional qualifications of "Securities Investment Consultancy Qualification" awarded by the China Securities Regulatory Commission, and other qualifications such as "Securities Underwriting Qualification", "Securities Trading Qualification", "Fund Practice Qualification", and "Futures Practice Qualification". In addition, Mr. Qu is currently an independent director of Xiamen International Airport Co., Ltd (stock code: 600897), a company listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd (stock code: 200152) and Shenzhen Laibao Hi-Tech Co., Ltd (stock code: 002106), both companies are listed on the Shenzhen Stock Exchange. Mr. Qu was an independent director of Susino Umbrella Co., Ltd. (stock code: 002174), a company listed on Shenzhen Stock Exchange, from 14 October 2005 to 13 October 2011. Mr. Qu was also an independent director of Fujian Zhonghe Co., Ltd. (stock code: 002070), a company listed on Shenzhen Stock Exchange, from 14 March 2008 to 14 April 2011. Mr. Qu is also the adviser of Quanzhou City People's Government, the consultant of Haixi Equity Investment Center, an expert panel member with the China Securities Regulatory Commission, a mentor at the ChiNext Training Center of the Shenzhen Stock Exchange, and a visiting professor for the EMBA (Finance) programme of Renmin University of China and the EMBA programme of South China University of Technology.

Senior Management

Mr. POON Wing Chuen (潘永存), aged 47, is our Chief Financial Officer and Company Secretary and his responsibilities are to oversee the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined our Group in May 2008 and has over 20 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies over the years. Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

Mr. JIANG Yong (江勇), aged 37, is our Vice President and is responsible for the administrative, human resources, legal and compliance operations of our Group. Mr. Jiang joined our Group in 2004. Prior to joining our Group, Mr. Jiang served as a legal officer and head of the administration department, human resources department and sales department at Xiamen Fukang Economic Development Co., Ltd. from 2002 to 2004. Mr. Jiang served as a legal assistant at the Xinhua International Intellectual Property (Xiamen) Firm from 2001 to 2002 and as a legal adviser at Xiamen Yinxiang Group Co., Ltd. from 2000 to 2001. Mr. Jiang was a legal clerk at the People's Court of Shaowu, Fujian from 1999 to 2000. Mr. Jiang was chosen as the representative of the 15th People's Congress of Siming District of Xiamen, Fujian (思明區十五屆人大代表) in 2006. He qualified as a senior economist in the PRC in 2002. Mr. Jiang graduated with a bachelor degree in law from Southwest University of Political Science and Law in 1999. He passed the China Corporate Legal Consultant Qualification Examination in 2003 and passed the PRC National Judicial Examination in 2006.

Mr. YU Wei Ning (俞偉寧), aged 49, is our Vice President and is responsible for the property and hotel management operations of our Group. Mr. Yu joined our Group in 2007 and served as the deputy general manager and manager of Xiamen Qiaole Mingfa Property Management Co., Ltd. Prior to joining our Group, Mr. Yu served as the department head, management representative and assistant general manager at Xiamen Zongheng Group Company from 2000 to 2006. Mr. Yu served as the manager of the property department of Xiamen Yangguang Zhongheng Real Estate Company from 1998 to 2000. Mr. Yu worked at Jingban Group Company, and served in various managerial roles from 1980 to 1998. Mr. Yu has received various qualifications and certifications in finance, property agent practice as well as construction management. Mr. Yu obtained Economist Qualification ISO9002 (1994) and ISO9001 (2000) in 1998 and 2004 respectively. In 2003, Mr. Yu obtained the Qualification of Project Manager of Construction and Decoration Project (Grade II) in Xiamen (廈門建築裝飾工程二級專案經理資格) and in 2006, passed the Review and Valuation on Senior Economist held by the Bureau of Human Resources of Fujian Province (福建省人事廳高級經濟師評審). He is a qualified economist in the PRC and a registered real estate agent (註冊房地產經紀人執業資格). Mr. Yu received his bachelor degree from The Open University of Fujian in 1986 and graduated from the University of Xiamen Investment and Economics Research Class in 1999. Mr. Yu obtained the certificate for Mall China accredited operation manager in 2008 and Mall China professional manager in 2009.

Mr. ZHONG Xiao Ming (鍾小明), aged 45, is our Vice President and is responsible for the project management operations of our Group. Mr. Zhong has over 20 years of experience in the PRC real estate and real estate related sector. He joined our Group in 2009. He previously served as the general supervisor of Xiamen Jiye Hengxin Consultancy Company Limited from 2005 to 2009, project manager of Xiamen Shipbuilding Industry Co., Ltd. From 2003 to 2005, department manager of Xiamen Guangxia Engineering Co., Ltd. from 1997 to 2003 and section chief of Minjiang Engineering Bureau from 1989 to 1996. Mr. Zhong qualified as a senior engineer in 2002. Mr. Zhong graduated from China Three Gorges University (previously known as Gezhouba Hydraulic & Electric Engineering College) with a bachelor degree in engineering in 1989.

Mr. WANG Chih-Cheng (王志成), aged 50, is our Vice President and is responsible for the tendering and purchasing process of our Group. Mr. Wang has over 20 years of experience in the mechanical engineering sector. He joined our Group in 2008. He previously served as senior project manager of Sika (China) Ltd. in 2008, vice general manager of the Fujian branch of Suzhou Schindler Elevator Company Limited from 2005 to 2007, manager of Fujian branch of Shanghai Yungtay Elevator Co., Ltd. from 2000 to 2004, vice general manager of Shanghai Qiyang International Trade Company Limited from 1998 to 2000 and a chief manager of Taiwan Yungtay Engineering Co., Ltd. from 1987 to 1998. Mr. Wang graduated from National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) with a bachelor degree in mechanical engineering in 1987.

Ms. HAO Jin (郝晉), aged 35, is our Vice President and is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.

Company Secretary

Mr. POON Wing Chuen, aged 47, our Chief Financial Officer, is the Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. Mr. Poon was appointed as the Company Secretary of the Company on 12 September 2008. He has complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

Report of the Directors

The Directors herein present this annual report and the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include property development, leasing and hotel management. The nature of the principal activities of the Group remained the same without change during the year under review.

SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC for the year ended 31 December 2012 and are set out in Note 5 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out at the end of this annual report. This summary does not form part of the consolidated financial statements.

PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, and investment properties of the Group during the year under review are set out in Note 6 and Note 7 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the Company's issued share capital during the year under review are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and in Note 22 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, distributable reserve of the Company amounted to approximately RMB634.9 million (2011: approximately RMB384.5 million).

PRE-EMPTIVE RIGHTS

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement of this annual report.

The Board did not recommend payment of final dividend for the year ended 31 December 2012.

CLOSURE OF REGISTER OF MEMBERS AND ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Friday, 31 May 2013. The notice of the AGM which constitutes part of the circular will be sent together with the 2012 annual report to shareholders of the Company in due course. The notice of the AGM and the proxy form will be published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.ming-fa.com) and be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

The register of members of the Company will be closed and no transfer of shares will be registered during the following period:

To Determine the Identity of Shareholders Who Are Entitled to Attend and Vote at the AGM

Latest time for lodging transfers	:	4:30 p.m. on Monday, 27 May 2013
Closure of register of members	:	Tuesday, 28 May 2013 to Friday, 31 May 2013, both days inclusive
Date of the AGM	:	Friday, 31 May 2013

To qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the latest time for lodging transfers as stated above.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers (excluding land purchases) accounted for less than 30% of the total purchases of the Group.

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group.

DIRECTORS

The Directors as at 31 December 2012 and up to the date of this annual report were as follows:

Executive Directors
Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui

Non-Executive Director
Mr. Chi Miao

Independent Non-Executive Directors
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Qu Wenzhou

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the Independent Non-Executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of 3 years until terminated by not less than 3 months' notice in writing served by either party on the other. Each of the Executive Directors is entitled to their respective basic salary as agreed with the Company.

The Non-Executive Director has not entered into a service agreement with the Company and his appointment is in effect until it is terminated in accordance with the articles of association of the Company.

Each of the Independent Non-Executive Directors has entered into a service agreement with the Company for a term of 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement. Each of the Independent Non-Executive Directors is entitled to their respective annual Directors' fees as agreed with the Company.

The appointments of the Executive Directors, the Non-Executive Director and the Independent Non-Executive Directors are subject to the provision of retirement and rotation of Directors under the articles of association of the Company.

No Director has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Remuneration Committee and approved by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. For the year ended 31 December 2012, the remuneration including Directors' fees amounted to approximately RMB0.8 million. For details, please refer to Note 33 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2012, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, are listed as follows:

The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares *(Note 1)*	Approximate Percentage of Interest in the Company
Mr. Wong Wun Ming	Beneficial Owner	13,500,000 shares (L)	0.22%
Mr. Wong Wun Ming	Interest of a controlled corporation *(Note 2)*	4,512,085,000 shares (L) 587,915,000 shares (S)	74.04% 9.64%

Notes:

(1) The letter "L" and "S" denote a long position and a short position in the shares or underlying shares respectively.

(2) The disclosed interest represents the interest in the Company held by Galaxy Earnest Limited. Galaxy Earnest Limited is wholly-owned by Growing Group Limited, Gainday Holdings Limited, Tin Sun Holdings Limited and Better Luck Group Limited in the respective proportions of 55%, 15%, 15% and 15%. As such, pursuant to the SFO, Growing Group Limited is deemed to have the same interest in the Company in which Galaxy Earnest Limited is currently interested. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited and therefore he is deemed to be interested in these 4,512,085,000 shares and 587,915,000 shares of the Company Pursuant to the SFO.

Associated Corporation — Galaxy Earnest Limited:

Name of Director	Nature of Interest	Total Number of Ordinary Shares in the Associated Corporation	Approximate Percentage of Interest in the Associated Corporation
Mr. Wong Wun Ming	Interest of a controlled corporation*(Note 1)*	6,050 shares	55.00%
Mr. Huang Qingzhu	Interest of a controlled corporation*(Note 2)*	1,650 shares	15.00%
Mr. Huang Lianchun	Interest of a controlled corporation*(Note 3)*	1,650 shares	15.00%
Mr. Huang Li Shui	Interest of a controlled corporation*(Note 4)*	1,650 shares	15.00%

Notes:

(1) The disclosed interest represents the interest in the associated corporation held by Growing Group Limited, a company which is directly wholly-owned by Mr. Wong Wun Ming.

(2) The disclosed interest represents the interest in the associated corporation held by Gainday Holdings Limited, a company which is directly wholly-owned by Mr. Huang Qingzhu.

(3) The disclosed interest represents the interest in the associated corporation held by Tin Sun Holdings Limited, a company which is directly wholly-owned by Mr. Huang Lianchun.

(4) The disclosed interest represents the interest in the associated corporation held by Better Luck Group Limited, a company which is directly wholly-owned by Mr. Huang Li Shui.

Save as disclosed above, as at 31 December 2012, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the section headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the year under review were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the non-competition undertaking and indemnity signed by each of Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui (they are the Directors and controlling shareholders of the Company) in favour of the Company, no Director or controlling shareholder of the Company or any of its subsidiaries have any interest in any contract of significance with the Company or its subsidiaries during the year under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group during the year under review.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2012, the interests or short positions of those persons, other than Directors or chief executives of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are listed as follows:

Name	Nature of Interest	Total Number of Ordinary Shares *(Note 1)*	Approximate Percentage of Interest in the Company
Ms. Chen Bihua *(Note 2)*	Interest of spouse	4,512,085,000 shares (L) 587,915,000 shares (S)	74.04% 9.64%
Warburg Pincus & Co. *(Note 3)*	Interest of a controlled corporation	623,994,329 shares (L)	10.24%
中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) *(Note 4)*	Interest of a controlled corporation	587,915,000 shares (L)	9.64%
Central Huijin Investment Ltd *(Note 4)*	Interest of a controlled corporation	587,915,000 shares (L)	9.64%

Notes:

(1) The letter "L" and "S" denote a long position and a short position in the shares or underlying shares respectively.

(2) Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and therefore, pursuant to the SFO, is deemed to be interested in these shares of the Company in which Mr. Wong Wun Ming is deemed to be interested and vice versa. Both Mr. Wong Wun Ming and Ms. Chen Bihua, our controlling Shareholders, have pledged an aggregate of 587,915,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 9.64% of the total issued share capital of the Company, to three note holders (namely, Cinda International Holdings Limited, Golden Key L.P. and Chance Talent Management Limited) pursuant to a note purchase agreement signed in May 2012.

(3) Warburg Pincus & Co. is indirectly interested in convertible bonds and warrants to subscribe for 535,027,586 and 88,966,743 of the Company's shares, respectively, and is deemed to be interested in the underlying shares issuable upon conversion.

(4) 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) and Central Huijin Investment Ltd. are both deemed to be interested in the 587,915,000 shares in which Cinda International Securities Limited held as security agent for the three note holders (namely, Cinda International Holdings Limited, Golden Key L.P. and Chance Talent Management Limited) pursuant to a share charge executed by Galaxy Earnest Limited in favour of Cinda International Securities Limited.

Save as disclosed above, as at 31 December 2012, no person, other than Directors or chief executives of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company (the "**Share Option Scheme**"). As at 31 December 2012, no option was granted under the Share Option Scheme.

A summary of the principal terms of the Share Option Scheme is set out below.

Purpose of the Share Option Scheme

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Participants of the Share Option Scheme

Any Directors (including Non-Executive Directors and Independent Non-Executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

Total Number of Shares Available for Issue Under the Share Option Scheme and Percentage of Issued Share Capital as at 31 December 2012

600,000,000 shares (approximately 9.84%).

Maximum Entitlement of Each Participant Under the Share Option Scheme

In any 12-month period, in aggregate not exceeding 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

The Period Within Which the Shares Must Be Taken Up Under an Option

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

The Amount Payable on Application or Acceptance of the Option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

The Basic of Determining the Exercise Price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

The Remaining Life of the Share Option Scheme

Up to 9 October 2019.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of certain related party transactions of the Group are set out in Note 44 to the consolidated financial statements.

There were no transactions required to be disclosed as non-exempt connected transactions or non-exempt continuing connected transactions in accordance with the Listing Rules during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company confirms sufficiency of public float as at the date of this annual report.

CONVERTIBLE BONDS

Reference is made to the announcement of the Company dated 5 March 2012 in respect of resetting the conversion price of HK$1,560,000,000, 5.25% convertible bonds due 2016. Pursuant to the terms and conditions of these convertible bonds, the conversion price was adjusted from HK$3.168 to HK$2.61 effective 10 March 2012.

Details of the convertible bonds issued by the Company are set out in Note 24 to the consolidated financial statements.

DETAILS OF THE TRANSACTIONS IN THE SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

Yangzhou Mingfa Hotel Co., Ltd.

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of US$10 million to the equity capital of Yangzhou Mingfa Hotel Co., Ltd. in 2012, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED remained as the sole equity holder holding 100% interest of Yangzhou Mingfa Hotel Co., Ltd.

Mingfa Group Shanghai Industry Co., Ltd.

Mingfa Group Company Limited made further capital contribution of RMB80 million to the equity capital of Mingfa Group Shanghai Industry Co., Ltd. in 2012, and following completion of the capital contribution, Mingfa Group Company Limited remained as the sole equity holder holding 100% interest of Mingfa Group Shanghai Industry Co., Ltd.

SIGNIFICANT INVESTMENTS

Saved as those disclosed under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", the Group did not have any significant investments during the year under review.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

TAXATION

Details of the taxation of the Group are set out in Note 34 to the consolidated financial statements.

MATERIAL LITIGATION AND ARBITRATION

Dispute Relating to Yangcheng Lake Project

On 1 April 2012, the liquidator of Suzhou Yitong Real Estate Development applied for liquidating Suzhou Yangchenghu Huaqing Real Estate Company Limited in Suzhou Intermediate People's Court. On 17 April 2012, Suzhou Intermediate People's Court made a judgment to transfer the case to the People's Court in Suzhou Industrial Park, Jiangsu Province. On 20 July 2012, Suzhou Yangchenghu Huaqing Real Estate Company Limited applied for the appeal in the Jiangsu Senior People's Court. As at the date of this report, no judgment for the appeal was made by Jiangsu Senior People's Court.

Details of the dispute have been set out in the 2009, 2010 and 2011 annual reports and in the 2010, 2012 interim reports of the Company.

Dispute Relating to Powerlong Group Development Co., Ltd ("Powerlong")

As at 15 November 2012, the Group signed an agreement with Powerlong to transfer them certain shops in Xiamen Mingfa Shopping Mall for GFA of 56,517.26 sq.m. Such transfer had been substantially completed and registered on 7 December 2012.

Details of the dispute have been set out in the 2010 and 2011 annual reports and the 2009, 2010, 2011 and 2012 interim reports of the Company.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

Pursuant to an equity transfer agreement entered into between the Group and a third party on 18 January 2012, the Group agreed to sell 49% equity interest in Jiangsu Mingfa Industrial Raw Material Co., Ltd*, a wholly-owned subsidiary of the Group to the third party at a consideration of RMB1,053,500,000. This project company holds an industrial project in Nanjing which will become a pilot project for developing a software city in Nanjing. The buyer further agrees to pay the project company a guaranteed monthly income of RMB27.0 per square metre effective from February 2012. Details of the equity transfer agreement have been set out in the announcements of the Company dated 18 January 2012 and 19 January 2012 and the 2012 interim report of the Company.

Pursuant to a board resolution on 26 March 2012, the Group decided to dispose of its entire 50% equity interest in Xiamen Longxiang Real Estate Development Co., Ltd.* (a wholly-foreign-owned enterprise with limited liability established under the laws of the PRC on 29 June 2001 which is 50% owned and jointly-controlled by the Company, holding a property project for investment and development which is located in Longshan, Lianqian Road, Xiamen, Fujian Province, the PRC with a gross site area of approximately 290,950 sq.m.) to a third party at a consideration of RMB1,118,440,000. Upon completion of the disposal, the Company will cease to hold any equity interest in Xiamen Longxiang Real Estate Development Co., Ltd.* As at 31 December 2012, the disposal had been completed. Details of the disposal have been set out in the announcement of the Company dated 26 March 2012 and the 2012 interim report of the Company.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries and jointly controlled entity during the year ended 31 December 2012.

* *for identification purpose only*

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on Directors are listed as follows:

At the Board meeting held on 18 March 2013, the Board resolved to appoint Mr. Lau Kin Hon as the Independent Non-Executive Director, member of the Audit Committee, the Nomination Committee and the Remuneration Committee of our Company, effective upon Mr. Wong Po Yan's resignation as the Independent Non-Executive Director, member of the Audit Committee, the Nomination Committee and the Remuneration Committee of our Company, all effective from 19 March 2013. Mr. Lau Kin Hon will retire and offer himself for re-election by the shareholders of the Company at the forthcoming AGM.

CHANGE OF PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

The Company's principal share registrar and transfer agent in the Cayman Islands was changed to Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands effective from 26 January 2013.

Details of the change have been set out in the Company's announcement dated 28 December 2012.

EVENTS AFTER THE REPORTING PERIOD

Details of the subsequent events of the Group are set out in Note 45 to the consolidated financial statements.

There was no matter between the balance sheet date (i.e. 31 December 2012) and the date of this annual report that would cause material impact on the Group.

AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuring year will be proposed at the forthcoming AGM.

On Behalf of the Board
Mingfa Group (International) Company Limited

Wong Wun Ming
Chairman

18 March 2013

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF
MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 159, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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羅兵咸永道

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2013

Consolidated Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	519,046	324,710
Investment properties	7	7,952,701	6,847,156
Land use rights	9	37,191	22,533
Intangible assets	10	7,184	7,220
Associated companies	12	170,749	83,689
Jointly controlled entities	13(a)	218,459	179,716
Deferred income tax assets	26	427,308	380,754
Other receivables	15	12,961	12,235
Other non–current assets	8	3,640,277	4,151,201
		12,985,876	12,009,214
Current assets			
Land use rights	9	4,736,660	3,701,235
Properties under development	11	3,926,069	3,853,177
Completed properties held for sale	14	7,323,116	5,462,995
Inventories		9,724	4,451
Trade and other receivables and prepayments	15	1,159,414	465,066
Prepaid income taxes		163,281	145,398
Amounts due from related parties	16	17,968	9,080
Amounts due from non-controlling interests	17	853,500	—
Restricted cash	18	458,404	385,034
Cash and cash equivalents	18	680,079	512,993
Non-current asset classified as held for sale	19	—	314,144
		19,328,215	14,853,573
Total assets		32,314,091	26,862,787
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	536,281	533,843
Reserves	22	8,332,506	6,471,880
		8,868,787	7,005,723
Non–controlling interests in equity		972,158	264,106
Total equity		9,840,945	7,269,829

The notes on pages 62 to 159 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2012

		As at 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	23	**1,666,423**	1,069,013
Borrowings	24	**1,540,560**	4,597,189
Deferred income tax liabilities	26	**1,753,811**	1,304,391
		4,960,794	6,970,593
Current liabilities			
Trade and other payables	27	**6,839,950**	6,201,171
Advanced proceeds received from customers		**2,657,573**	2,063,371
Amounts due to related parties	28	**130,549**	31,127
Amounts due to non-controlling interests	17	**96,374**	80,692
Income tax payable		**1,815,331**	1,695,010
Borrowings	24	**5,647,275**	1,865,238
Derivative financial instruments	25	**310,283**	670,344
Provision for other liabilities and charges	29	**15,017**	15,412
		17,512,352	12,622,365
Total liabilities		**22,473,146**	19,592,958
Total equity and liabilities		**32,314,091**	26,862,787
Net current assets		**1,815,863**	2,231,208
Total assets less current liabilities		**14,801,739**	14,240,422

The notes on pages 62 to 159 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Balance Sheet of the Company

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	**4,224,124**	3,985,757
Current assets			
Amounts due from related parties	16	**1**	1
Cash and cash equivalents	18	**3,670**	5,472
		3,671	5,473
Total assets		**4,227,795**	3,991,230
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**536,281**	533,843
Reserves	22	**634,925**	384,485
Total equity		**1,171,206**	918,328
LIABILITIES			
Non-current liabilities			
Borrowings	24	**—**	2,180,345
Current liabilities			
Trade and other payables	27	**—**	20,395
Amounts due to related parties	28	**113,519**	—
Borrowings	24	**2,632,787**	201,818
Derivative financial instruments	25	**310,283**	670,344
		3,056,589	892,557
Total liabilities		**3,056,589**	3,072,902
Total equity and liabilities		**4,227,795**	3,991,230
Net current liabilities		**(3,052,918)**	(887,084)
Total assets less current liabilities		**1,171,206**	3,098,673

The notes on pages 62 to 159 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Consolidated Income Statement

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenues	5	**3,741,096**	2,978,828
Cost of sales	31	**(2,549,993)**	(1,459,032)
Gross profit		**1,191,103**	1,519,796
Fair value gains on investment properties	7	**624,629**	1,753,846
Fair value gains/(losses) on derivative financial instruments	3(e)	**340,932**	(183,693)
Other gains	30	**1,031,471**	63,122
Selling and marketing costs	31	**(139,251)**	(116,192)
Administrative expenses	31	**(286,685)**	(250,985)
Other operating expenses	31	**(19,992)**	(35,018)
Operating profit		**2,742,207**	2,750,876
Finance income	32	**21,726**	14,066
Finance costs	32	**(206,638)**	(210,217)
Finance costs — net	32	**(184,912)**	(196,151)
Share of results of			
— Associated companies	12	**(8,269)**	(14,010)
— Jointly controlled entities	13	**(3,257)**	(4,958)
		(11,526)	(18,968)
Profit before income tax		**2,545,769**	2,535,757
Income tax expense	34	**(786,481)**	(930,102)
Profit for the year		**1,759,288**	1,605,655
Attributable to:			
Equity holders of the Company		**1,764,745**	1,596,967
Non-controlling interests		**(5,457)**	8,688
		1,759,288	1,605,655
Earnings per share for profit attributable to equity holders of the Company	36		
(RMB cents)			
— Basic		**29.0**	26.5
— Diluted		**20.4**	26.2
Dividends	35	**—**	245,783

The notes on pages 62 to 159 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Profit for the year		**1,759,288**	1,605,655
Other comprehensive income/(loss):			
Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax	7, 26	—	106,336
Currency translation differences		**(7,671)**	—
Total comprehensive income for the year		**1,751,617**	1,711,991
Attributable to:			
Equity holders of the Company		**1,757,074**	1,703,303
Non-controlling interests		**(5,457)**	8,688
		1,751,617	1,711,991

The notes on pages 62 to 159 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Capital and reserves attributable to equity holders of the Company			
	Share capital RMB'000 (Note 21)	Reserves RMB'000 (Note 22)	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	533,843	6,471,880	264,106	7,269,829
Comprehensive income/(loss)				
Profit for the year	—	1,764,745	(5,457)	1,759,288
Other comprehensive loss				
— Currency translation differences	—	(7,671)	—	(7,671)
Total comprehensive income for the year	—	1,757,074	(5,457)	1,751,617
Transactions with owners				
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	2,438	77,642	—	80,080
Capital injection to a subsidiary by non-controlling interests	—	—	1	1
Dividends relating to 2011	—	(247,821)	—	(247,821)
	2,438	(170,179)	1	(167,740)
Acquisition of a subsidiary (Note 43)	—	—	19,110	19,110
Change in ownership interest in a subsidiary without loss of control (Note 42)	—	273,731	694,398	968,129
	2,438	103,552	713,509	819,499
Balance at 31 December 2012	536,281	8,332,506	972,158	9,840,945
Balance at 1 January 2011	528,540	5,008,933	89,867	5,627,340
Comprehensive income				
Profit for the year	—	1,596,967	8,688	1,605,655
Other comprehensive income				
— Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax (Note 7)	—	106,336	—	106,336
Total comprehensive income for the year	—	1,703,303	8,688	1,711,991
Transactions with owners				
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	284	10,262	—	10,546
Dividends relating to 2010	—	(374,085)	—	(374,085)
	284	(363,823)	—	(363,539)
Acquisition of subsidiaries	5,019	123,467	165,568	294,054
Disposal of a subsidiary	—	—	(17)	(17)
	5,303	(240,356)	165,551	(69,502)
Balance at 31 December 2011	533,843	6,471,880	264,106	7,269,829

The notes on pages 62 to 159 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Operating activities			
Net cash generated from/(used in) operations	37	448,386	(3,006,325)
Interest received		21,006	11,040
Interest paid		(487,940)	(378,576)
PRC enterprise income tax paid		(319,228)	(388,137)
PRC land appreciation tax paid		(130,256)	(256,901)
Net cash used in operating activities		(468,032)	(4,018,899)
Investing activities			
Additions of property, plant and equipment and investment properties		(102,868)	(201,522)
Net cash advances made to related parties		(3,000)	(3,802)
Net cash advances received from non-controlling interests		—	120,000
Net cash advances (made to)/received from third parties		(104,753)	105,170
Prepayments received in connection with the planned disposal of a jointly controlled entity		—	1,136,359
Cash received in connection with the disposal of partial interest in a subsidiary without loss of control	42	200,000	—
Acquisition of subsidiaries, net of cash acquired	43	(3,950)	(379,824)
Capital injection to jointly controlled entities		—	(44,500)
Advances to a jointly controlled entity		(42,000)	—
Advances to associated companies		(6,904)	(4,794)
Capital injection to associated companies		(103,000)	(97,699)
Proceeds from sale of property, plant and equipment		—	10,019
Payments for acquisition of additional interest in a subsidiary		(20,000)	—
Net cash (used in)/generated from investing activities		(186,475)	639,407
Financing activities			
Drawdown of borrowings		2,688,160	1,550,553
Repayments of borrowings		(2,192,712)	(684,154)
Net cash advances received from/(repaid to) non-controlling interests		4,900	(4,233)
Net cash advances received from/(repaid to) related parties		99,422	(48)
Net cash advances received from third parties		468,719	231,095
Dividends paid		(247,242)	(374,085)
Issue of convertible bonds		—	1,281,979
Capital contribution from non-controlling interests		1	—
Net cash generated from financing activities		821,248	2,001,107
Effect of foreign exchange rate changes on cash		273	(29,929)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		167,014	(1,408,314)
Cash, cash equivalents and bank overdrafts at beginning of the year		497,532	1,905,846
Cash, cash equivalents and bank overdrafts at end of the year	18	664,546	497,532

The notes on pages 62 to 159 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Mingfa Group (International) Company Limited (the "Company") was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2009.

The consolidated financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments which are carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Amended standard adopted by the Group in 2012

The following amendment to existing standard is mandatory for the first time for the financial year beginning on 1 January 2012 and is relevant to the Group's operations.

- In December 2010, the HKICPA amended HKAS 12 'Income Taxes' to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. The Group has adopted this amendment in 2012 but this amendment has no significant impact on the Group's consolidated financial statements, as the investment properties of the Group are held with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the presumption is rebutted and related deferred tax is not remeasured.

(ii) New/revised standards, amendments and interpretations of HKFRSs that have been issued but are not effective in 2012 and have not been early adopted by the Group

Certain new/revised standards, amendments and interpretations of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2012 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKAS 1 (Amendment) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012). The main change resulting from the amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI.

- HKAS 32 (Amendment) "Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014). The amendment clarifies the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered as equivalent to net settlement systems.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards, amendments and interpretations of HKFRSs that have been issued but are not effective in 2012 and have not been early adopted by the Group (continued)

- HKFRS 7 (Amendment) "Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013). The amendment requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- HKFRS 9 "Financial Instruments: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2015). The standard is the first step in the process to replace HKAS 39. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial assets and financial liabilities. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- HKFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- HKAS 27 (Revised 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

- HKFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013). The standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards, amendments and interpretations of HKFRSs that have been issued but are not effective in 2012 and have not been early adopted by the Group (continued)

- HKAS 28 (Revised 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013). The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

- HKFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- HKFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

- HKFRSs 10, 11 and 12 (Amendments) "Transition Guidance" (effective for annual periods beginning on or after 1 January 2013). These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

- HKFRSs 7 and 9 (Amendments) "Mandatory Effective Date and Transition Disclosures" (effective for annual periods beginning on or after 1 January 2015). These amendments modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.

The Group has not early adopted any of the above new/revised standards and amendments to the existing standards. The Group is in the process of making an assessment on the impact of these new/revised standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (or to the Controlling Shareholders under merger accounting). They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations except for those acquisitions which are qualified as business combination under common control and are accounted for using the merger accounting.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Under the merger accounting, the net assets of combining entities or businesses are combined using the existing book value from the controlling parties' perspective. The results are combined from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is at a later date, regardless of the date of the common control combination.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition (see Note 2(k)), net of any accumulated impairment losses.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated companies' in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associated companies (continued)

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

(d) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint venture takes different forms and structures:

- ***Jointly controlled entities***

  A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

  Investment in a jointly controlled entity is accounted for using the equity method of accounting and is initially recognised at cost. The consolidated income statement includes the Group's share of the post-acquisition results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill identified on acquisition (see Note 2(k)) net of any accumulated impairment losses.

- ***Jointly controlled assets***

  The joint venture involves the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or constructed or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The joint venture does not involve the establishment of a corporation, partnership or other entity. Each venturer takes a share of the output from the assets, each bears an agreed share of the expenses incurred.

  In respect of the Group's interest in jointly controlled assets, the Group recognised in its consolidated financial statements, on a line-by-line basis with similar items, its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and any expenses that it has incurred in respect of its interest in the joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Segment reporting

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

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements is presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

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

- Assets and liabilities are translated at the closing rate at balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

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

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

Buildings	20–40 years
Machinery	5–20 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Building improvements	5–15 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated income statement.

(h) Assets under construction

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at balance sheet date by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

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

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

Changes in fair values of investment properties are recognised in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties (continued)

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its then carrying amount is recognised in the consolidated income statement.

(j) Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

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

(k) Intangible assets — goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

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

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

(l) Non-current assets classified as held-for-sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Properties under development

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

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

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(n) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(o) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

For derivative financial instruments which do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on the trade date — the date on which the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to the consolidated income statement.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the balance sheet date (or greater than normal operating cycle of the business if longer) which are classified as non-current assets.

(r) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of held-to-maturity investments is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of contractual agreements. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months after the balance sheet date which are classified as current assets.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks, and are grouped with bank overdrafts in the consolidated cash flow statement. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. Restricted cash is excluded from cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowings

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

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(u) Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non-convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivatives, financial liability, represent the value of the option that bondholders have to convert into ordinary shares and early redemption option. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the consolidated income statement.

If the convertible bonds are converted into ordinary shares, the carrying amounts of the corresponding embedded derivative and debt components are transferred to share capital and share premium as consideration for the shares issued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries/associated companies/jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(w) Trade and other payables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Financial guarantee liabilities

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

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

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

(z) Provisions and contingent liabilities

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, net of returns and discounts. Revenues are recognised as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) Rental income

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms.

(iii) Hotel operating income

Hotel operating income is recognised when the services are rendered.

(iv) Sales of construction materials

Revenue from sales of construction materials is recognised when the risks and rewards of construction materials are transferred to the purchasers.

(v) Decoration services

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

(vi) Interest income

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

(vii) Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

(ac) Leases

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

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

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

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

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development or assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated income statement. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold, or transferred to investment properties or investment properties under construction when applicable.

(iii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets.

(ad) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk including currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's business is principally conducted in RMB, except that certain receipts of sales proceeds and certain fundings are in other foreign currencies, mainly in Hong Kong dollar ("HK dollar").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances, certain amounts due to related parties and certain borrowings denominated in foreign currencies are subject to translation at each reporting date. Fluctuation of the exchange rates for RMB against foreign currencies could affect the Group's results of operations. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2012, if RMB had strengthened/weakened by 5% against HK dollar with all variables held constant, the post-tax profit for the year would have been RMB153,691,000 higher/lower (2011: RMB147,449,000 higher/lower), mainly as a result of net foreign currency losses/gains on translation of HK dollar denominated bank deposits, amounts due from/to non-controlling interests and related parties, certain borrowings and derivative financial instruments.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 18), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2012, if interest rates on bank borrowings in floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB3,643,000 (2011: RMB3,258,000) lower/higher.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables and amounts due from related parties and amounts due from non-controlling interests included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash transactions are limited to high-credit-quality financial institutions. The table below shows the bank deposit balances of the five major counterparties as at 31 December 2012.

		As at 31 December	
		2012	2011
Counter party	**Rating** (note)	**RMB'000**	RMB'000
Bank A	A	**403,786**	111,413
Bank B	A	**195,925**	170,293
Bank C	A	**139,639**	121,854
Bank D	NA	**117,187**	53,334
Bank E	NA	**71,287**	250,732
		927,824	707,626

Note: These are Standard and Poor's credit rating. There is no available credit rating for Bank D and Bank E.

Management does not expect any losses from non-performance of these counterparties.

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitor these deposits and advances to ensure actions taken to recover these balances in the case of any risk of default.

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, internally generated sales proceeds and through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2012					
Borrowings	**6,002,667**	**334,120**	**1,007,630**	**198,810**	**7,543,227**
Interest payments on borrowings (note)	**433,656**	**371,012**	**518,932**	**77,177**	**1,400,777**
Trade and other payables	**6,839,950**	**—**	**—**	**—**	**6,839,950**
Amounts due to related parties	**130,549**	**—**	**—**	**—**	**130,549**
Amounts due to non-controlling interests	**96,374**	**—**	**—**	**—**	**96,374**
Financial guarantees	**3,080,495**	**—**	**—**	**—**	**3,080,495**
	16,583,691	**705,132**	**1,526,562**	**275,987**	**19,091,372**
As at 31 December 2011					
Borrowings	1,839,910	3,872,210	955,403	304,170	6,971,693
Interest payments on borrowings (note)	377,653	247,348	272,684	142,890	1,040,575
Trade and other payables	6,201,171	—	—	—	6,201,171
Amounts due to related parties	31,127	—	—	—	31,127
Amounts due to non-controlling interests	80,692	—	—	—	80,692
Financial guarantees	3,227,283	—	—	—	3,227,283
	11,757,836	4,119,558	1,228,087	447,060	17,552,541

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2012 and 2011 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2012 and 2011 respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and derivative financial instruments less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2012 and 2011 were as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Borrowings and derivative financial instruments	**7,498,118**	7,132,771
Less: Cash and cash equivalents	**(680,079)**	(512,993)
Net debt	**6,818,039**	6,619,778
Total equity	**9,840,945**	7,269,829
Total capital	**16,658,984**	13,889,607
Gearing ratio	**40.9%**	47.7%

The decrease in the gearing ratio in 2012 resulted primarily from the significant increase in the balance of total equity.

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities at fair value through profit or loss — derivative financial instruments	**—**	**—**	**310,283**	**310,283**

The following table presents the Group's liabilities that are measured at fair value at 31 December 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss — derivative financial instruments	—	—	670,344	670,344

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the year ended 31 December 2012 and 2011.

	Derivative financial instruments	
	2012	2011
	RMB'000	RMB'000
Opening balance	**670,344**	217,834
Addition	**—**	271,848
Conversion of convertible bonds	**(19,129)**	(3,031)
(Gains)/Losses recognised in profit or loss	**(340,932)**	183,693
Closing balance	**310,283**	670,344
Total (gains)/losses for the year included in profit or loss for derivative financial liabilities at the end of the reporting period	**(340,932)**	183,693

(f) Financial instruments by category

Group

	Loans and receivables	
	At 31 December 2012	At 31 December 2011
Assets as per balance sheet	**RMB'000**	RMB'000
Trade and other receivables	**789,395**	242,828
Amounts due from related parties	**17,968**	9,080
Amounts due from non-controlling interests	**853,500**	—
Restricted cash	**458,404**	385,034
Cash and cash equivalents	**680,079**	512,993
Total	**2,799,346**	1,149,935

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category (continued)

Group (continued)

Liabilities as per balance sheet	As at 31 December 2012 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2011 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	—	7,187,835	7,187,835	—	6,462,427	6,462,427
Trade and other payables (excluding other taxes payable)	—	6,685,376	6,685,376	—	6,076,500	6,076,500
Derivative financial instruments	310,283	—	310,283	670,344	—	670,344
Amounts due to related parties	—	130,549	130,549	—	31,127	31,127
Amounts due to non-controlling interests	—	96,374	96,374	—	80,692	80,692
Total	310,283	14,100,134	14,410,417	670,344	12,650,746	13,321,090

Company

Assets as per balance sheet	Loans and receivables As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
Amounts due from related parties	1	1
Cash and cash equivalents	3,670	5,472
Total	3,671	5,473

Liabilities as per balance sheet	As at 31 December 2012 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2011 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	—	2,632,787	2,632,787	—	2,382,163	2,382,163
Other payables	—	—	—	—	20,395	20,395
Amounts due to related parties	—	113,519	113,519	—	—	—
Derivative financial instruments	310,283	—	310,283	670,344	—	670,344
Total	310,283	2,746,306	3,056,589	670,344	2,402,558	3,072,902

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain, especially on whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax of its property projects based on management's best estimates according to its understanding of the tax rules and latest practice of local tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value is determined by independent valuer. These valuation and calculations require the use of estimate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Estimated fair value of investment properties

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

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

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

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

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

(e) Provision for properties under development and completed properties held for sale

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

(f) Provision for delay in delivering properties

The Group assesses the obligation for delay in delivering properties brought against the Group by customers and charged the amounts to the consolidated income statement. The provision has been estimated according to the relevant terms in contract, by references to the results of rulings by the local court on the similar cases and independent legal advices from lawyers. The assessment requires the use of judgement and estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying amount of derivative financial instruments as at 31 December 2012 and the post-tax profit for the year would have been approximately RMB31,374,000 (2011: RMB58,167,000) and RMB63,485,000 (2011: RMB83,655,000) lower respectively were the expected volatility increase by 3% and 5% from management's estimates.

(h) Joint venture contract with Powerlong Group Development Co., Ltd. ("Baolong")

On 8 November 2002, the Group entered into a joint venture contract ("Master Agreement") with Baolong, a third party, to jointly acquire the land use rights, develop, sell, hold and operate the properties in a project in Xiamen. The joint venture does not involve the establishment of a corporation. Pursuant to the Master Agreement, both parties shall jointly be responsible for the planning, design and construction, and share the operation results of the entire project, on a portfolio basis, at agreed percentage of 70% and 30% contributable to the Group and Baolong respectively. The Group therefore proportionally accounted for 70% of the assets and liabilities, and operating results in its consolidated financial statements (Note 13(b)).

On 4 December 2008, the Group and Baolong entered into a supplemental agreement to allocate some of the investment properties in the project which were selected on a random basis ("Supplemental Agreement"), as an initial step in determination of profit and loss sharing on this jointly controlled project. Pursuant to the assets allocation under the Supplemental Agreement, Baolong has been allocated an excess areas of approximately 9,775 square metres. The Group is entitled to receive proceeds from Baolong on the excess areas at a fixed price of RMB9,500 per square meter and the total amount is estimated to be approximately RMB92,867,000. However, the fixed price for these excess areas is different from the average carrying value of the investment properties, and the shortfalls of approximately RMB12,011,000 have been accounted for as impairment losses and included as expenses in the Group's consolidated income statement for the year ended 31 December 2008.

On 25 November 2009, Baolong filed an arbitration claim to the Xiamen Arbitration Commission against the Group ("Arbitration Claim"), requesting the Group, among other things, to (1) effect the title transfer of the allocated area pursuant to the above Supplemental Agreement to Baolong and fully bear the related taxes and costs, and pay over the rental income and related interest charges of the allocated area; (2) allocate and effect the title transfer of 30% of the remaining unsold completed properties, bear all related taxes; (3) distribute 30% of profits and associated interests; (4) fully bear the penalty on delay in development and late deliveries and certain other expenses and costs.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Joint venture contract with Powerlong Group Development Co., Ltd. ("Baolong") (continued)

During the hearing, Baolong also claimed that the proceeds on the excess areas of allocated properties in favour of Baolong should be at the amount of approximately RMB60,592,000, rather than the amount of approximately RMB92,867,000 claimed by the Group. Baolong's calculation of proceeds is based on the value of assets rather than the square metres stipulated by the Supplemental Agreement.

On 1 June 2010, the Xiamen Arbitration Commission made and granted partial arbitration rulings ("Partial Arbitration") in relation to the above Arbitration Claim that (i) the Group shall submit the necessary documents in relation to effecting the title transfer of the allocated properties in favour of Baolong within 10 days after delivery of the arbitration rulings and assist Baolong to effect the title transfer; the Group and Baolong shall pay the respective taxes and other expenses arising from such transfer in accordance with applicable laws and regulations of Xiamen and the PRC; (ii) Baolong shall pay to the Group the proceeds of RMB60,592,000 within 5 days following the grant and issue of the title certificate(s) in relation to the excess areas of the allocated properties in favour of Baolong; and (iii) the partial rulings are final rulings in respect of the relevant subject matters and shall take full force and effect on the date of rulings.

On 11 November 2010, the Xiamen Intermediate People's Court (the "Court") issued Enforcement Notice on the above partial rulings ("Enforcement Notice") and ordered (i) the Group to transfer the title of the allocated properties to Baolong; (ii) the tax payment of such title transfer be paid in advance by each party. The Group filed an objection to the Court but was overruled by the Court on 27 December 2010. Subsequently in March 2011, the Group was informed that the above enforcement procedure has been terminated.

On 22 March 2011, the Group filed an application for additional counterclaims to Xiamen Arbitration Commission aiming to clarify certain outstanding issues of the rulings, including (1) confirmation of the nature of cooperation under the Master Agreement, and the ruling that Baolong shall allocate the properties based on the principles of the Master Agreement, and deposit 30% of related taxes before applying for change of registration of the titles; (2) confirmation that the Group's obligation is to submit the required information in assisting the title transfer; (3) ruling for Baolong to bear the losses in all related taxes arising from early allocation of the properties; and (4) ruling for Baolong not to transfer, mortgage or change the operation status of the allocated properties. The counterclaims are still pending for further judgment and no final rulings have been made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Joint venture contract with Powerlong Group Development Co., Ltd. ("Baolong") (continued)

Based on the legal interpretations on the Master Agreement, Supplemental Agreement and the Partial Arbitration, the directors believed that the basis of cooperation and allocation of risks and rewards between the Group and Baolong remained the same as those set out in the Master Agreement. The proposed settlement of proceeds at RMB60,592,000 refers to the undisputed portion and the proposed arrangement of payment of taxes and other expenses in relation to the title transfer were both the temporary solution to initiate the title transfer of the allocated properties in favour of Baolong, which was not the final results of the Arbitration Claim. Meanwhile, with the closure of the Enforcement Notice, the directors believed that the Court and relevant local land bureau and local tax bureau would no longer enforce the Enforcement Notice.

The directors were of the view that the Partial Arbitration rulings and the Court's Enforcement Notice would not give rise to any significant financial impact to the Group and therefore no additional provision was considered necessary.

On 15 November 2012, the Group entered into a memorandum with Baolong to effect the title transfer of the allocated properties to Baolong pursuant to the Supplemental Agreement, with Baolong agreed to fully bear the related taxes ("Memorandum").

As at 31 December 2012, the title transfer of most of the allocated properties to Baolong had been completed. The proceeds of RMB92,867,000 on the excess areas had also been received from Baolong.

The fair value of the properties allocated to the Group pursuant to the Memorandum had given rise to a gain as compared with the previously reported amounts based on 70% interest of the Group in the project on a portfolio basis. Such a gain has been accounted for as part of and included in the Group's 70% share of the project's fair value gains on investment properties in 2012 (Note 13(b)).

The Group continues to proportionally account for the remaining assets and liabilities of the project and its operating results based on 70% share on a portfolio basis, and the directors consider that such an accounting treatment on the joint venture with Baolong is appropriate although there could be further incidences which may cause the Group not being able to maintain its 70% interest in the final determination of the profits or losses and assets and liabilities of the project. Accordingly the Group's interest in the project at each reporting date will necessarily involve estimates and judgement and may require adjustment to the previously reported amounts in the period in which such adjustment arises.

5 REVENUES AND SEGMENT INFORMATION

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

(i) the property development segment engages in real estate development, and is further segregated into commercial and residential;

(ii) the hotel segment engages in hotel operation;

(iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential, hotel and commercial properties.

Other operating segments mainly include investment holding, manufacture and sale of furniture, which are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "all other segments" column.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects may be measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenues are eliminated on consolidation.

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

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or non-controlling interests relating to respective segments. They exclude deferred income tax assets and prepaid income taxes.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, income tax payable and derivative financial instruments.

5 REVENUES AND SEGMENT INFORMATION (continued)

(a) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December 2012 RMB'000	2011 RMB'000
Sale of properties		
— commercial	**711,070**	1,587,082
— residential	**2,767,252**	1,239,061
	3,478,322	2,826,143
Hotel operating income	**49,422**	50,051
Rental income from investment properties	**194,193**	85,329
Property management fee income	**19,159**	17,305
	3,741,096	2,978,828

(b) Segment information

The segment results and other segment items for the year ended 31 December 2012 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	711,070	2,767,252	50,011	213,352	—	—	3,741,685
Inter-segment revenues	—	—	(589)	—	—	—	(589)
Revenues	711,070	2,767,252	49,422	213,352	—	—	3,741,096
Operating profit/(loss)	308,903	1,428,353	(45,813)	731,714	319,050	—	2,742,207
Finance costs — net							(184,912)
Share of results of associated companies	(1,114)	(7,155)	—	—	—	—	(8,269)
Share of results of jointly controlled entities	(870)	(2,382)	—	(5)	—	—	(3,257)
Profit before income tax							2,545,769
Income tax expense							(786,481)
Profit for the year							1,759,288
Other segment information							
Capital and property development expenditure	1,903,506	3,065,690	234,409	205,578	—	—	5,409,183
Depreciation	2,964	11,854	17,020	396	3,982		36,216
Amortisation of land use rights as expenses	5,663	1,578	—	—	—	—	7,241
Fair value gains on investment properties	—	—	—	624,629	—	—	624,629
Fair value gains on derivative financial instruments	—	—	—	—	340,932	—	340,932
Gains from disposal of a jointly controlled entity	—	1,026,694	—	—	—	—	1,026,694
Impairment of goodwill recognised as expenses	—	36	—	—	—	—	36

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2012 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	16,875,499	13,760,312	972,394	6,807,113	6,710,930	(13,791,954)	31,334,294
Associated companies	101,886	68,863	—	—	—	—	170,749
Jointly controlled entities	57,759	158,211	—	2,489	—	—	218,459
	17,035,144	13,987,386	972,394	6,809,602	6,710,930	(13,791,954)	31,723,502
Unallocated:							
Deferred income tax assets							427,308
Prepaid income taxes							163,281
Total assets							32,314,091
Segment liabilities	7,957,016	8,152,591	354,575	708,435	8,025,223	(13,791,954)	11,405,886
Unallocated:							
Deferred income tax liabilities							1,753,811
Borrowings							7,187,835
Derivative financial instruments							310,283
Income tax payable							1,815,331
Total liabilities							22,473,146

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment results and other segment items for the year ended 31 December 2011 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	1,587,082	1,239,061	52,976	104,934	—	—	2,984,053
Inter-segment revenues	—	—	(2,925)	(2,300)	—	—	(5,225)
Revenues	1,587,082	1,239,061	50,051	102,634	—	—	2,978,828
Operating profit/(loss)	826,741	294,757	(13,766)	1,790,592	(147,448)	—	2,750,876
Finance costs — net							(196,151)
Share of results of an associated company	—	(14,010)	—	—	—	—	(14,010)
Share of results of jointly controlled entities	(597)	(4,355)	—	(6)	—	—	(4,958)
Profit before income tax							2,535,757
Income tax expense							(930,102)
Profit for the year							1,605,655
Other segment information							
Capital and property development expenditure	3,440,573	5,571,067	520	89,820	—	—	9,101,980
Depreciation	2,656	10,400	14,805	1,179	5,733	—	34,773
Amortisation of land use rights as expenses	3,993	1,141	—	—	—	—	5,134
Fair value gains on investment properties	—	—	—	1,753,846	—	—	1,753,846
Fair value losses on derivative financial instruments	—	—	—	—	183,693	—	183,693
Impairment of goodwill recognised as expenses	—	540	6,963	—	—	—	7,503

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2011 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	14,966,559	11,095,763	200,412	7,265,475	5,451,792	(13,220,915)	25,759,086
Associated company	—	83,689	—	—	—	—	83,689
Jointly controlled entities	47,396	129,826	—	2,494	—	—	179,716
Non-current asset classified as held for sale	—	314,144	—	—	—	—	314,144
	15,013,955	11,623,422	200,412	7,267,969	5,451,792	(13,220,915)	26,336,635
Unallocated:							
Deferred income tax assets							380,754
Prepaid income taxes							145,398
Total assets							26,862,787
Segment liabilities	8,392,892	7,362,153	174,145	339,962	6,412,549	(13,220,915)	9,460,786
Unallocated:							
Deferred income tax liabilities							1,304,391
Borrowings							6,462,427
Derivative financial instruments							670,344
Income tax payable							1,695,010
Total liabilities							19,592,958

6 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2012	129,366	98,419	6,613	35,707	78,016	74,260	422,381
Acquisition of a subsidiary (Note 43)	—	—	—	149	916	—	1,065
Additions	143,690	—	2,998	12,362	52	—	159,102
Transfer from completed properties held for sale	—	70,336	—	—	—	—	70,336
Amortisation of land use rights	57	—	—	—	—	—	57
Disposals	—	—	—	(20)	—	—	(20)
Transfer upon completion	(273,113)	227,042	—	—	—	46,071	—
As at 31 December 2012	—	395,797	9,611	48,198	78,984	120,331	652,921
Accumulated depreciation							
As at 1 January 2012	—	(33,737)	(6,237)	(16,720)	(36,024)	(4,953)	(97,671)
Charge for the year	—	(15,995)	(344)	(6,053)	(10,764)	(3,060)	(36,216)
Disposals	—	—	—	12	—	—	12
As at 31 December 2012	—	(49,732)	(6,581)	(22,761)	(46,788)	(8,013)	(133,875)
Net book value							
As at 31 December 2012	—	346,065	3,030	25,437	32,196	112,318	519,046

6 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2011	41,114	156,957	6,576	25,157	61,541	74,260	365,605
Acquisition of subsidiaries	—	—	—	240	3,020	—	3,260
Additions	88,184	—	37	10,406	13,455	—	112,082
Amortisation of land use rights	68	—	—	—	—	—	68
Transfer to investment property (Note 7)	—	(58,538)	—	—	—	—	(58,538)
Disposals	—	—	—	(96)	—	—	(96)
As at 31 December 2011	129,366	98,419	6,613	35,707	78,016	74,260	422,381
Accumulated depreciation							
As at 1 January 2011	—	(55,438)	(5,855)	(12,114)	(24,972)	(901)	(99,280)
Charge for the year	—	(14,619)	(382)	(4,668)	(11,052)	(4,052)	(34,773)
Transfer to investment property (Note 7)	—	36,320	—	—	—	—	36,320
Disposals	—	—	—	62	—	—	62
As at 31 December 2011	—	(33,737)	(6,237)	(16,720)	(36,024)	(4,953)	(97,671)
Net book value							
As at 31 December 2011	129,366	64,682	376	18,987	41,992	69,307	324,710

Depreciation of property, plant and equipment of RMB36,216,000 (2011: RMB34,773,000) has been charged to the consolidated income statement.

As at 31 December 2012, certain buildings of RMB110,814,000 (2011: RMB127,366,000) were pledged as collateral for the Group's borrowings (Note 24).

There was no interest capitalised in assets under construction for the year ended 31 December 2012 (2011: Nil).

7 INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Opening balance	**6,847,156**	4,004,372
Additions	**198,025**	89,439
Transfer from land use rights (Note 9)	**16,741**	65,150
Transfer from property, plant and equipment (Note 6)	**—**	22,218
Transfer from completed properties held for sale	**291,505**	770,801
Revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	**—**	141,782
Fair value gains	**624,629**	1,753,846
Disposals	**(25,355)**	(452)
Ending balance	**7,952,701**	6,847,156

The investment properties were revalued on an open market value and existing use basis at each balance sheet date by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professional qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The estimated future development costs of investment properties under construction were deducted when arriving at the fair value of such properties which amounted to RMB680,000,000 as at 31 December 2012 (2011: RMB390,000,000).

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	**7,952,701**	6,847,156

As at 31 December 2012, investment properties of RMB3,844,390,000 (2011: RMB3,638,378,000) were pledged as collateral for the Group's borrowings (Note 24).

8 OTHER NON-CURRENT ASSETS — GROUP

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Prepayments or deposits for land use rights (note (a))	**3,513,027**	4,021,671
Prepayments for acquisition of a subsidiary (note (b))	**33,000**	33,000
Unamortised development costs for properties where the use rights had been transferred (note (c))	**94,250**	96,530
	3,640,277	4,151,201

Notes:

(a) The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.

(b) Pursuant to the equity transfer agreement entered into between the Group and a third party in January 2010, the Group agreed to purchase 100% equity interest of a company, established in Chengdu of the PRC at a cash consideration of approximately RMB42,544,000. The Group paid RMB33,000,000 in 2010 as prepayments and the acquisition has not been completed as at 31 December 2012.

(c) The Group had entered into certain "Transfer of Right to Use Properties" agreements with the transferees to grant them the right to occupy and use the relevant properties as stated in the agreements for a term commencing from the property delivery date up to the expiry date of the Group's use right of 50 years to the land on which the properties are located. As consideration, the transferees agreed to pay upfront proceeds for the entire term to the Group. Under the relevant PRC regulations, such agreements can only be treated as operating leases of 20 years. These agreements are not regarded as finance leases because the term commencing from the end of the first 20 years up to the expiry of the term of 50 years as specified in the agreements could be subjected to challenge, and therefore the risks and rewards over this remaining period are not considered as passed to the transferees. Accordingly the upfront proceeds are recognised as income on a straight-line basis over the entire grant term specified in the agreements with the unamortised balance amounting to RMB155,287,000 as at 31 December 2012 (2011: RMB158,882,000) recorded under advanced proceeds received from customers in current liabilities. The cost of these properties are transferred from assets under construction under property, plant and equipment to other non-current assets upon completion and thereafter amortised to the consolidated income statement on a straight-line basis over the term up to expiry date of the related land use right of 50 years held by the Group.

9 LAND USE RIGHTS — GROUP

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Opening balance	**3,723,768**	2,733,120
Additions	**1,533,084**	1,254,474
Amortisation		
— capitalised in property, plant and equipment	**(57)**	(68)
— capitalised in properties under development	**(78,711)**	(45,674)
— recognised as expenses	**(7,241)**	(5,134)
Transfer to cost of sales	**(380,251)**	(147,800)
Transfer to investment property (Note 7)	**(16,741)**	(65,150)
Ending balance	**4,773,851**	3,723,768
Land use rights		
— relating to property, plant and equipment under non-current assets	**37,191**	22,533
— relating to properties developed for sale under current assets	**4,736,660**	3,701,235
	4,773,851	3,723,768
Outside Hong Kong, held on leases of:		
Over 50 years	**1,967,036**	1,516,846
Between 10 to 50 years	**2,806,815**	2,206,922
	4,773,851	3,723,768

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

Amortisation of land use rights of RMB7,241,000 (2011: RMB5,134,000) has been charged to the administrative expenses.

As at 31 December 2012, land use rights of RMB1,774,478,000 (2011: RMB2,301,259,000) were pledged as collateral for the Group's borrowings (Note 24).

10 INTANGIBLE ASSETS — GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December 2012 RMB'000	2011 RMB'000
Opening balance	**7,220**	14,723
Impairment of goodwill recognised as expenses (note)	**(36)**	(7,503)
Ending balance	**7,184**	7,220

Note: The goodwill is impaired when the underlying properties are sold or transferred to investment properties. The goodwill impairment was included in other operating expenses in the consolidated income statement.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December 2012 RMB'000	2011 RMB'000
Property development	**7,184**	7,220

The recoverable amount of a CGU is determined based on the higher of the fair value (less cost to sell) of the related properties, determined by independent professional qualified valuers, or its value-in-use estimate.

11 PROPERTIES UNDER DEVELOPMENT — GROUP

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**3,489,103**	3,550,255
Interest capitalised	**436,966**	302,922
	3,926,069	3,853,177

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interest capitalised		
Opening balance	**302,922**	83,280
Additions	**512,018**	321,621
Transfer to cost of sales	**(101,426)**	(8,565)
Transfer to completed properties held for sale	**(265,984)**	(59,967)
Transfer to investment property	**(10,564)**	(33,447)
Ending balance	**436,966**	302,922

The properties under development are all located in the PRC.

As at 31 December 2012, properties under development of RMB491,305,000 (2011: Nil) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rates of borrowings were 10.24% for the year ended 31 December 2012 (2011: 8.65%).

12 ASSOCIATED COMPANIES — GROUP

On 20 June 2011, the Group obtained 33.33% equity interest in Eagle Rights Limited ("Eagle Rights"), an unlisted entity incorporated in the British Virgin Islands, by injecting cash capital of US$15,000,000 (equivalent to RMB97,699,000). The associated company has a Hong Kong subsidiary which has acquired a property project in Japan on 31 July 2011.

On 27 March 2012, the Group acquired 25% equity interest in Changchun Shimao Ke Rui Real Estate Company Limited ("Shimao Ke Rui"), an unlisted entity incorporated in the PRC at a cash consideration of RMB103,000,000.

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Opening balance	**83,689**	—
Additions	**103,000**	97,699
Share of results		
— Loss for the period	**(8,269)**	(14,010)
Exchange differences	**(7,671)**	—
Ending balance	**170,749**	83,689

The Group's share of the results and the aggregated consolidated assets (including goodwill) and liabilities of the associated companies are shown below:

Name of entity	**Assets**	**Liabilities**	**Revenue**	**Loss after tax**	**% of interest held**
	RMB'000	RMB'000	RMB'000	RMB'000	
As at and for the year ended 31 December 2012					
Eagle Rights	**76,755**	**7,902**	**8,435**	**(7,155)**	**33.33**
Shimao Ke Rui	**119,670**	**17,774**	**—**	**(1,114)**	**25.00**
	196,425	**25,676**	**8,435**	**(8,269)**	
As at and for the year ended 31 December 2011					
Eagle Rights	89,462	5,773	6,567	(14,010)	33.33

13 JOINT VENTURES — GROUP

(a) Jointly controlled entities

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Opening balance	**179,716**	446,318
Share of results		
— Loss for the year	**(3,257)**	(4,958)
Capital injection to jointly controlled entities (notes (a) and (b))	**—**	52,500
Advances to a jointly controlled entity (note (a))	**42,000**	—
Transfer to non-current asset classified as held-for-sale (Note 19)	**—**	(314,144)
Ending balance	**218,459**	179,716

Notes:

(a) Pursuant to agreement dated 31 December 2009, the Group agreed to cooperatively develop a project with a joint venture party named Fujian Nan'an Guanqiao Foodstuff City Investment Development Co., Ltd. ("Nan'an Guanqiao Foodstuff City"). To complete the transaction, Nan'an Guanqiao Foodstuff City and the Group set up a jointly controlled entity named as Quanzhou Mingfa Huachang Development and Construction Co., Ltd ("Quanzhou Huachang") and injected capital of RMB5,000,000 respectively according to their respective share percentages of 50% and 50% in 2010. Nan'an Guanqiao Foodstuff City assisted the jointly controlled entity to obtain the land use rights. On 5 January 2011, the Group and Nan'an Guanqiao Foodstuff City further injected capital of RMB50,000,000 respectively according to their respective share percentages of 50% and 50% in the jointly controlled entity. In 2012, the Group advanced RMB42,000,000 to the jointly controlled entity for property development.

(b) In 2011, the Group set up a jointly controlled entity named Mingsheng (Quanzhou) Property Management Co., Ltd. ("Mingsheng Quanzhou") with a joint venture party named Mr. Lin Shuyu and injected capital of RMB2,500,000 respectively according to their respective share percentages of 50% and 50%.

13 JOINT VENTURES — GROUP (continued)

(a) Jointly controlled entities (continued)

Nature of investments in jointly controlled entities in 2012 and 2011

Name of entity	Place of business	% of interest held	Measurement method
Quanzhou Huachang	PRC	50	Equity accounting
Mingsheng Quanzhou	PRC	50	Equity accounting

The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the jointly controlled entities.

	Quanzhou Huachang As at 31 December		Mingsheng Quanzhou As at 31 December		Total As at 31 December	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets						
Non-current assets	**714**	759	**—**	—	**714**	759
Current assets	**282,379**	233,776	**2,492**	2,497	**284,871**	236,273
	283,093	234,535	**2,492**	2,497	**285,585**	237,032
Liabilities						
Current liabilities	**(67,123)**	(57,313)	**(3)**	(3)	**(67,126)**	(57,316)
Net assets	**215,970**	177,222	**2,489**	2,494	**218,459**	179,716

	Quanzhou Huachang Year ended 31 December		Mingsheng Quanzhou Year ended 31 December		Total Year ended 31 December	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**36**	43	**1**	—	**37**	43
Expenses	**(3,288)**	(2,276)	**(6)**	(6)	**(3,294)**	(2,282)
Loss after tax	**(3,252)**	(2,233)	**(5)**	(6)	**(3,257)**	(2,239)
Loss from a jointly controlled entity classified as held-for-sale as at 31 December 2011					**—**	(2,719)
					(3,257)	(4,958)

Details of the jointly controlled entities of the Group as at 31 December 2012 are set out in Note 39.

13 JOINT VENTURES — GROUP (continued)

(b) Jointly controlled assets

As described in Note 4(h), the Group has a 70% interest in the profits or losses and assets and liabilities of a jointly controlled project located in Xiamen which is engaged in property development and property investment. Baolong has a 30% interest in the project. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the jointly controlled project, after taking into account the gain arising from effecting the transfer of the allocated properties pursuant to the Memorandum entered into with Baolong on 15 November 2012 (Note 4(h)), and these amounts are included in the consolidated balance sheet and consolidated income statement.

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Assets		
Non-current assets	**260,885**	1,438,539
Current assets	**620,913**	547,333
	881,798	1,985,872
Liabilities		
Non-current liabilities	**164,622**	189,747
Current liabilities	**501,933**	466,067
	666,555	655,814
Net assets	**215,243**	1,330,058

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Income	**91,676**	119,518
Fair value gains on investment properties	**162,597**	29,633
Other gains	**—**	9
Expenses	**(97,275)**	(87,647)
Profit after income tax	**156,998**	61,513
Proportionate interest in joint venture's		
— operating lease rentals receivable	**508,510**	687,774
— financial guarantees	**175,749**	1,069,202

14 COMPLETED PROPERTIES HELD FOR SALE — GROUP

All completed properties held for sale are located in the PRC on leases between 40 to 70 years.

As at 31 December 2012, completed properties held for sale of RMB2,322,693,000 (2011: RMB2,193,677,000) were pledged as collateral for the Group's borrowings (Note 24).

As at 31 December 2012, there was no impairment provision made on completed properties held for sale (2011: RMB12,011,000).

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables (note (a))	**209,054**	103,505
Less: Provision for impairment of trade receivables (note (d))	**(47,461)**	(52,589)
Trade receivables — net	**161,593**	50,916
Deposits for resettlement costs	**755**	738
Deposits for land purchase	**79,300**	—
Advances to third parties (note (c))	**208,825**	68,363
Receivable in connection with the disposal of a jointly controlled entity (note (e))	**204,479**	—
Other receivables	**134,443**	122,811
Prepayments for construction costs	**234,184**	111,664
Prepaid business tax and other levies on pre-sale proceeds	**148,796**	122,809
	1,172,375	477,301
Less: Non-current portion of other receivables (note (b))	**(12,961)**	(12,235)
Current portion	**1,159,414**	465,066

As at 31 December 2012 and 2011, the fair values of trade receivables, deposits for resettlement costs and land purchase, advances to third parties, receivable in connection with a disposal and other receivables approximate their carrying amounts.

Notes:

(a) Trade receivables are mainly arisen from sales of properties and leases of investment properties. Proceeds in respect of properties sold and leased are to be received in accordance with the terms of the related sales and purchase agreements and lease agreements.

The ageing analysis of trade receivables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**60,775**	18,189
Over 90 days and within 1 year	**90,420**	26,727
Over 1 year and within 2 years	**13,379**	20,743
Over 2 years	**44,480**	37,846
	209,054	103,505

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP (continued)

Notes (continued):

(a) (continued)

The ageing analysis of trade receivables past due but not impaired is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**7,818**	6,386
Over 90 days and within 1 year	**6,514**	1,518
	14,332	7,904

As at 31 December 2012, trade receivables of RMB14,332,000 (2011: RMB7,904,000) which were past due but not impaired have been received subsequent to the year end.

As at 31 December 2012, trade receivables of RMB47,461,000 (2011: RMB52,589,000) are considered impaired.

(b) Non-current other receivables represent the unsettled proceeds from the sale of a building included in property, plant and equipment which are to be collected over a period of seven years. The receivables were initially recognised at fair value based on cash flows discounted using a rate of 5.94%.

(c) The advances to third parties are unsecured, interest-free and have no fixed repayment terms.

(d) Movements on provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Opening balance	**52,589**	48,206
(Reversal of)/Additional provision for receivable impairment	**(1,741)**	4,409
Receivables written off during the year as uncollectible	**(3,387)**	(26)
Ending balance	**47,461**	52,589

(e) The amount relates to reimbursement of certain accrued expenses in connection with the disposal to be received from the buyer.

16 AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Group		
Controlled by the Controlling Shareholders		
Growing Group Limited ("Growing Group")	**110**	110
Better Luck Group Limited ("Better Luck")	**51**	51
Gainday Holdings Limited ("Gainday")	**51**	51
Tin Sun Holdings Limited ("Tin Sun Holdings")	**51**	51
Run Fast International Limited	**26**	26
Bloom Luck Holdings Limited	**29**	29
Xiamen Mingfa Property Development Company Limited (廈門市明發物業發展有限公司) ("Xiamen Property Development")	**257**	161
Common directors		
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥製品有限公司) ("Nanjing Qianqiuye")	**5,695**	3,802
Associated companies (Note 12)		
Eagle Rights (鈞濠有限公司)	**6,698**	4,794
Shimao Ke Rui (長春世茂科瑞置業有限公司)	**5,000**	—
Joint venture (Note 13(a))		
Mingsheng Quanzhou (明勝(泉州)物業管理有限公司)	**—**	5
	17,968	9,080

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Amounts due from related parties:		
Denominated in RMB	**10,952**	3,968
Denominated in HK$	**318**	318
Denominated in US$	**6,698**	4,794
	17,968	9,080

16 AMOUNTS DUE FROM RELATED PARTIES (continued)

	As at 31 December 2012 RMB'000	2011 RMB'000
Company		
Controlled by the Controlling Shareholders		
Growing Group	1	1

Except for an amount of RMB2,695,000 due from Nanjing Qianqiuye as at 31 December 2012 (2011: RMB3,802,000), which was trade in nature, the amounts due from related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due from related companies approximate their fair values.

17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP

	As at 31 December 2012 RMB'000	2011 RMB'000
Amounts due from non-controlling interests:		
Nanjing Software Valley (南京軟件谷發展有限公司) (Note 42)	853,500	—
Amounts due to non-controlling interests:		
Tai San Trading Company (泰山貿易公司)	16,211	16,211
Netnice Company Limited (美而實有限公司)	64,493	64,481
Gansu Zhongke Industry Co., Ltd. (甘肅中科實業有限公司)	14,570	—
Fuli (H.K.) International Group Investment Limited (富麗(香港)國際集團投資有限公司)	1,100	—
	96,374	80,692

17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP (continued)

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Amounts due from non-controlling interests:		
Denominated in RMB	853,500	—
Amounts due to non-controlling interests:		
Denominated in RMB	31,881	16,211
Denominated in HK$	64,493	64,481
	96,374	80,692

The balances with non-controlling interests were unsecured, interest-free, had no fixed repayment terms and were non-trade in nature.

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Group		
Cash at bank and in hand:		
Denominated in RMB	1,114,934	762,823
Denominated in HK$	16,030	131,453
Denominated in US$	7,519	3,751
	1,138,483	898,027
Less: Restricted cash	(458,404)	(385,034)
Total cash and cash equivalents	680,079	512,993
Company		
Cash at bank and in hand:		
Denominated in HK$	3,662	5,464
Denominated in US$	8	8
Total cash and cash equivalents	3,670	5,472

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH (continued)

As at 31 December 2012, the Group's cash of approximately RMB355,000,000 (2011: RMB100,000,000) was restricted and deposited in certain banks as security for certain bank borrowings (Note 24).

As at 31 December 2012, the Group's cash of approximately RMB40,404,000 (2011: RMB40,404,000) was restricted and deposited in certain banks as security for project construction.

As at 31 December 2012, the Group's cash of approximately RMB63,000,000 (2011: RMB244,630,000) was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

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

The weighted average effective interest rates on bank deposits as at 31 December 2012 were 0.72% (2011: 0.52%).

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Cash and cash equivalents	**680,079**	512,993
Bank overdrafts (Note 24)	**(15,533)**	(15,461)
	664,546	497,532

19 NON-CURRENT ASSET CLASSIFIED AS HELD-FOR-SALE — GROUP

Pursuant to a board resolution on 26 March 2012, a transfer agreement was entered into between the Group and a third party to dispose the Group's entire 50% equity interest in a jointly controlled entity at a consideration of RMB1,118,440,000. The investment in the jointly controlled entity with an aggregate carrying amount of RMB314,144,000 was transferred to non-current asset classified as held for sale as at 31 December 2011. The disposal has been completed in 2012 (Note 30).

20 INVESTMENTS IN SUBSIDIARIES — COMPANY

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**4,224,124**	3,985,757
	4,224,124	3,985,757

The amounts due from subsidiaries are interest-free, unsecured and have no specific repayment terms. The Company's intention is that the amounts due from subsidiaries will only be recalled when the subsidiaries have surplus cash.

Details of the subsidiaries of the Group as at 31 December 2012 are set out in Note 39.

21 SHARE CAPITAL

	Par value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent RMB
Authorised:				
At 1 January 2011, 31 December 2011 and at 31 December 2012	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 1 January 2011	0.1	6,000,000,000	600,000,000	528,540,068
Issue of shares in connection with acquisition of subsidiaries (note (a))	0.1	60,000,000	6,000,000	5,019,000
Issue of shares in connection with conversion of convertible bonds (note (b))	0.1	3,470,969	347,097	283,442
At 31 December 2011	0.1	6,063,470,969	606,347,097	533,842,510
Issue of shares in connection with conversion of convertible bonds (note (b))	0.1	29,980,057	2,998,006	2,438,367
At 31 December 2012	0.1	6,093,451,026	609,345,103	536,280,877

Notes:

(a) The Company issued 60,000,000 ordinary shares at par value of HK$0.1 per share on 13 May 2011 to a third party as part of the purchase consideration for 80% equity interest of a company and its subsidiaries. The ordinary shares issued have the same rights as the other shares in issue.

(b) During the year ended 31 December 2011, a total of 3,470,969 ordinary shares at par value of HK$0.1 per share were issued upon the request for conversion by the bondholders (Note 24(c)) with the conversion price of HK$3.168 per share. The ordinary shares issued have the same rights as the other shares in issue.

During the year ended 31 December 2012, 19,253,066 and 10,726,991 ordinary shares at par value of HK$0.1 per share were issued upon the request for conversion by the bondholders (Note 24(c)) with the conversion price of HK$3.168 and HK$2.61 per share respectively. The ordinary shares issued have the same rights as the other shares in issue.

22 RESERVES

Group

	Merger reserve RMB'000 note (a)	Share premium RMB'000	Revaluation surplus RMB'000 note (b)	Contributions from equity holders RMB'000 note (d)	Statutory reserves RMB'000 note (c)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2012	146,601	801,445	264,979	209,196	125,509	—	4,924,150	6,471,880
Comprehensive income/(loss)								
Profit for the year	—	—	—	—	—	—	1,764,745	1,764,745
Other comprehensive loss								
— Currency translation differences	—	—	—	—	—	(7,671)	—	(7,671)
Total comprehensive income for the year attributable to equity holders of the Company	—	—	—	—	—	(7,671)	1,764,745	1,757,074
Transactions with owners								
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	—	77,642	—	—	—	—	—	77,642
Dividends relating to 2011	—	(247,821)	—	—	—	—	—	(247,821)
	—	(170,179)	—	—	—	—	—	(170,179)
Change in ownership interest in a subsidiary without loss of control, net of tax (Note 42)	—	—	—	—	—	273,731	—	273,731
	—	(170,179)	—	—	—	273,731	—	103,552
Balance at 31 December 2012	146,601	631,266	264,979	209,196	125,509	266,060	6,688,895	8,332,506
Representing:								
Proposed final dividend								—
Others								8,332,506
								8,332,506

22 RESERVES (continued)

Group (continued)

	Merger reserve RMB'000 note (a)	Share premium RMB'000	Revaluation surplus RMB'000 note (b)	Contributions from equity holders RMB'000 note (d)	Statutory reserves RMB'000 note (c)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011	146,601	1,041,801	158,643	209,196	125,509	3,327,183	5,008,933
Comprehensive income							
Profit for the year	—	—	—	—	—	1,596,967	1,596,967
Other comprehensive income							
— Revaluation surplus upon transfer of an owner-occupied property, net of tax (Note 7)	—	—	106,336	—	—	—	106,336
Total comprehensive income for the year attributable to equity holders of the Company	—	—	106,336	—	—	1,596,967	1,703,303
Transactions with owners							
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	—	10,262	—	—	—	—	10,262
Dividends relating to 2010	—	(374,085)	—	—	—	—	(374,085)
	—	(363,823)	—	—	—	—	(363,823)
Issue of ordinary shares related to acquisition of subsidiaries (Note 21(a))	—	123,467	—	—	—	—	123,467
	—	(240,356)	—	—	—	—	(240,356)
Balance at 31 December 2011	146,601	801,445	264,979	209,196	125,509	4,924,150	6,471,880
Representing:							
Proposed final dividend							245,783
Others							6,226,097
							6,471,880

22 RESERVES (continued)

Company

	Share premium RMB'000	Accumulated (losses)/profit RMB'000	Total RMB'000
Balance at 1 January 2012	801,445	(416,960)	384,485
Profit for the year	—	420,619	420,619
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	77,642	—	77,642
Dividend relating to 2011	(247,821)	—	(247,821)
Balance at 31 December 2012	631,266	3,659	634,925
Representing:			
Proposed final dividend			—
Others			634,925
			634,925

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2011	1,041,801	(56,007)	985,794
Loss for the year	—	(360,953)	(360,953)
Issue of ordinary shares related to acquisition of subsidiaries (Note 21(a))	123,467	—	123,467
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	10,262	—	10,262
Dividend relating to 2010	(374,085)	—	(374,085)
Balance at 31 December 2011	801,445	(416,960)	384,485
Representing:			
Proposed final dividend			245,783
Others			138,702
			384,485

22 RESERVES (continued)

Notes:

(a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the reorganisation prior to the listing. Details of the reorganisation are set out in the prospectus of the Company dated 4 November 2009.

(b) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when an owner-occupied property became an investment property in 2011 which is being carried at fair value.

(c) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.

(d) Pursuant to the Deed of Settlement dated on 29 September 2008, the Controlling Shareholders agreed to waive the amounts due by the Group totalling approximately HK$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group.

(e) The distributable reserve of the Company as at 31 December 2012 amounted to RMB634,925,000 (2011: RMB384,485,000).

23 DEFERRED GOVERNMENT GRANTS — GROUP

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Opening balance	**1,069,013**	107,060
Additions	**622,919**	962,070
Amortisation, credited to the consolidated income statement	**(25,509)**	(117)
Ending balance	**1,666,423**	1,069,013
Representing:		
Original amount	**1,724,809**	1,101,890
Accumulated amortisation	**(37,832)**	(12,323)
Transfer to investment property	**(20,554)**	(20,554)
Net book amount	**1,666,423**	1,069,013

The analysis of government grants received by the Group is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
For the development of property projects	**1,724,809**	1,101,890

24 BORROWINGS

Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	**4,279,559**	3,954,785
Convertible bonds (notes (b) and (c))	**2,334,982**	2,205,674
Other borrowings — secured (note (a))	**200,000**	—
	6,814,541	6,160,459
Less: Amounts due within one year	**(5,273,981)**	(1,563,270)
	1,540,560	4,597,189
Borrowings included in current liabilities		
Bank overdrafts (Note 18)	**15,533**	15,461
Bank borrowings — secured (note (a))	**357,761**	62,714
Bank borrowings — unsecured (note (a))	**—**	223,793
Current portion of long-term borrowings (note (a))	**5,273,981**	1,563,270
	5,647,275	1,865,238

24 BORROWINGS (continued)

Company

	As at 31 December 2012 RMB'000	2011 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	34,542	36,481
Convertible bonds (notes (b) and (c))	2,334,982	2,205,674
	2,369,524	2,242,155
Less: Amounts due within one year	(2,369,524)	(61,810)
	—	2,180,345
Borrowings included in current liabilities		
Bank borrowings — secured (note (a))	263,263	16,214
Bank borrowings — unsecured (note (a))	—	123,794
Current portion of long-term borrowings (note (a))	2,369,524	61,810
	2,632,787	201,818

24 BORROWINGS (continued)

(a) Details on borrowings

As at 31 December 2012, the Group's certain borrowings of RMB3,561,503,000 (2011: RMB2,407,000,000) were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2012, the Group's certain borrowings of RMB934,273,000 (2011: RMB1,516,499,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2012, the Group's certain borrowings of RMB341,544,000 (2011: RMB94,000,000) were secured by its restricted cash (Note 18).

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2012	688,254	752,306	100,000	1,540,560
As at 31 December 2011	1,142,713	1,274,131	2,180,345	4,597,189
Borrowings included in current liabilities:				
As at 31 December 2012	3,255,065	2,392,210	—	5,647,275
As at 31 December 2011	945,426	919,812	—	1,865,238

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2012 **RMB'000**	2011 RMB'000
Borrowings:		
Between 1 and 2 years	**334,120**	3,337,616
Between 2 and 5 years	**1,007,630**	955,403
Over 5 years	**198,810**	304,170
	1,540,560	4,597,189
Wholly repayable within 5 years	**845,749**	3,651,348
Wholly repayable after 5 years	**694,811**	945,841
	1,540,560	4,597,189

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2012 and 2011 were as follows:

	As at 31 December 2012	2011
Bank overdrafts — HK$	**5.40%**	5.40%
Bank borrowings — RMB	**7.90%**	6.59%
Bank borrowings — HK$	**3.26%**	1.24%
Convertible bonds — HK$	**14.66%**	14.59%
Other borrowings — RMB	**11.55%**	—

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

	Carrying amounts RMB'000	Fair values RMB'000
As at 31 December 2012		
Bank borrowings (note (i))	**1,350,560**	**1,327,353**
Other borrowings (note (i))	**190,000**	**197,487**
	1,540,560	**1,524,840**
As at 31 December 2011		
Bank borrowings (note (i))	2,416,844	2,398,843
Convertible bonds (note (ii))	2,180,345	1,852,875
	4,597,189	4,251,718

Notes:

(i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rates of 7.28% as at 31 December 2012 (2011: 6.84%).

(ii) The fair values of the liability component of the convertible bonds are calculated using the market interest rate as at 31 December 2011.

The carrying amounts of short-term borrowings approximate their fair values.

The Group's borrowings are denominated in RMB or HK$ and bank overdrafts are denominated in HK$.

24 BORROWINGS (continued)

(b) Convertible bonds issued on 10 December 2010 ("2015 Bonds")

The Company issued HK$1,551,580,000 convertible bonds on 10 December 2010 ("December closing date") to Gain Max Enterprises Limited, an investment vehicle of Warburg Pincus & Co. The 2015 Bonds bear interest at 5% per annum which is payable semi-annually.

The 2015 Bonds mature in five years from the December closing date and shall be redeemed at 129.82% of their nominal value or can be converted into ordinary shares of the Company on or after 11 December 2010 up to 3 December 2015 at a price of HK$2.90 per share.

The 2015 Bonds also contain redemption option at any time after 10 November 2013 which allows bondholders to require the Company to redeem any bond at a premium equal to 17.05% multiplied by a fraction of which the numerator is the total number of days from 10 December 2010 to the redemption due date and the denominator is the total number of days from 10 December 2010 to 10 December 2015.

In conjunction with the 2015 Bonds, the Company also issued warrants on 10 December 2010 to Profit Max Enterprises Limited, another investment vehicle of Warburg Pincus & Co., for no additional consideration. The warrants have a subscription period from 20 January 2011 to 3 December 2015 with an exercise price of HK$4.36 per share and maximum value of issued shares amounting to HK$387,895,000. The warrants also have transferability that the subscription rights are freely transferable either in whole or in part provided that, if necessary, the prior approval of the Stock Exchange shall be required for any transfer to any transferee which is a connected person of the Company.

The values of the liability component of the 2015 Bonds and the conversion, redemption options as well as the warrants were determined at issuance of the bond. Subsequently, the liability component is measured at amortised cost and the embedded derivatives are measured at fair value at each balance sheet date.

The 2015 Bonds recognised in the consolidated balance sheet is calculated as follows:

	Group and Company RMB'000
Liability component at 31 December 2010	1,134,604
Interest expense (Note 32)	151,298
Coupon paid	(63,705)
Exchange gains	(52,791)
Liability component at 31 December 2011	1,169,406
Interest expense (Note 32)	159,818
Coupon paid	(63,074)
Exchange losses	385
Liability component as at 31 December 2012	1,266,535

24 BORROWINGS (continued)

(c) Convertible bonds issued on 23 May 2011 ("2016 Bonds")

The Company issued HK$1,560,000,000 convertible bonds on 23 May 2011 ("May closing date"). The 2016 Bonds bear interest at 5.25% per annum which is payable semi-annually.

The 2016 Bonds mature in five years from the May closing date and shall be redeemed at 126.42% of their principal amount together with accrued and unpaid interest thereon on 23 May 2016 or can be converted at the option of the bondholder into ordinary shares of the Company at any time on or after 2 July 2011 up to the close of business on the seventh day prior to 23 May 2016 at a price of HK$3.168 per share, which has been reset to HK$2.61 per share on 10 March 2012.

The 2016 Bonds also contain redemption option which allows any bondholder to require the Company to redeem all and not some only of such holder's 2016 Bonds to the aggregate of the 109.97% of its principal amount together with interest accrued to the respective dates fixed for redemption on 23 June 2013.

The values of the liability component of the 2016 Bonds and the conversion and redemption options were determined at issuance of the bond. Subsequently, the liability component is measured at amortised cost and the embedded derivatives are measured at fair value at each balance sheet date.

During the year ended 31 December 2011, some of the 2016 Bonds with principal amount of HK$11,000,000 were converted to 3,470,969 ordinary shares at a price of HK$3.168 per share. The corresponding liability component of the 2016 Bonds with carrying amount of HK$9,220,000 (equivalent to RMB7,514,000), together with corresponding embedded derivatives (Note 25), were transferred to share capital and share premium as consideration for the shares issued (Note 21 and Note 22).

During the year ended 31 December 2012, some of the 2016 Bonds with principal amount of HK$89,000,000 were converted to 29,980,057 ordinary shares at a price of HK$3.168 or HK$2.61 per share. The corresponding liability component of the 2016 Bonds with carrying amount of HK$74,947,000 (equivalent to RMB60,951,000), together with corresponding embedded derivatives (Note 25), were transferred to share capital and share premium as consideration for the shares issued (Note 21 and Note 22).

Subsequent to 31 December 2012 and on 8 February 2013, the Company repurchased some of the 2016 Bonds with an aggregate principal amount of HK$70,000,000 by way of over the counter purchase ("Repurchase"). Immediately following the Repurchase, the aggregate principal amount of the 2016 Bonds remain outstanding is HK$1,390,000,000.

24 BORROWINGS (continued)

(c) Convertible bonds issued on 23 May 2011 ("2016 Bonds") (continued)

The 2016 Bonds recognised in the consolidated balance sheet is calculated as follows:

	Group and Company
	RMB'000
Fair value of 2016 Bonds issued on 23 May 2011	1,304,316
Transaction cost allocated to liability component	(17,681)
Derivative financial instruments	(271,849)
Liability component on initial recognition	1,014,786
Interest expense (Note 32)	92,831
Conversion of convertible bonds (Note 21 and Note 22)	(7,514)
Coupon paid	(33,182)
Exchange gains	(30,653)
Liability component as at 31 December 2011	1,036,268
Interest expense (Note 32)	154,871
Conversion of convertible bonds (Note 21 and Note 22)	(60,951)
Coupon paid	(62,368)
Exchange losses	627
Liability component as at 31 December 2012	1,068,447

25 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
2015 Bonds — Embedded derivatives (note (a))	**114,139**	235,867
2016 Bonds — Embedded derivatives (note (a))	**190,079**	425,430
Warrants (note (b))	**6,065**	9,047
	310,283	670,344

Notes:

(a) The embedded derivatives in connection with the 2015 Bonds and the 2016 Bonds mainly include bondholders' redemption option and conversion option. The embedded derivatives of the 2015 Bonds issued on 10 December 2010 are valued at HK$290,943,000 (equivalent to RMB235,867,000) at 31 December 2011 and HK$140,764,000 (equivalent to RMB114,139,000) at 31 December 2012 respectively by DTZ Debenham Tie Leung Limited ("DTZ"). The embedded derivatives of the 2016 Bonds issued on 23 May 2011 are valued at HK$524,769,000 (equivalent to RMB425,430,000) at 31 December 2011 and HK$234,420,000 (equivalent to RMB190,079,000) at 31 December 2012 by DTZ. The fair value change is made through profit and loss.

During the year ended 31 December 2011, some of the 2016 Bonds with principal amount of HK$11,000,000 were converted to 3,470,969 ordinary shares at a price of HK$3.168 per share and the corresponding embedded derivatives with carrying amount of HK$3,726,000 (equivalent to RMB3,031,000) were transferred to share capital and share premium as consideration for the shares issued (Note 21 and Note 22).

During the year ended 31 December 2012, some of the 2016 Bonds with principal amount of HK$89,000,000 were converted to 29,980,057 ordinary shares at a price of HK$3.168 or HK$2.61 per share and the corresponding embedded derivatives with carrying amount of HK$23,523,000 (equivalent to RMB19,129,000) were transferred to share capital and share premium as consideration for the shares issued (Note 21 and Note 22).

(b) The warrants are issued together with the 2015 Bonds (Note 24(b)) on 10 December 2010, which are valued at HK$11,159,000 (equivalent to RMB9,047,000) at 31 December 2011 and HK$7,480,000 (equivalent to RMB6,065,000) at 31 December 2012 respectively by DTZ. The fair value change is made through profit and loss.

The fair values of the derivative financial instruments were determined using the Binomial Option Pricing model. The significant inputs into the models were volatility of 32.36% (2011: 32.00%), dividend yield of 2.14% (2011: 2.99%) and the risk free interest rate of 0.12% for 2015 Bonds (2011: 0.77%) and 0.18% for 2016 Bonds (2011: 0.84%) respectively.

26 DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**262,901**	211,876
— to be recovered within 12 months	**164,407**	168,878
	427,308	380,754
Deferred income tax liabilities		
— to be settled after more than 12 months	**(1,549,332)**	(1,304,391)
— to be settled within 12 months	**(204,479)**	—
	(1,753,811)	(1,304,391)
	(1,326,503)	(923,637)

The net movement on the deferred income tax liabilities is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Opening balance	**923,637**	439,850
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	**—**	35,446
Charged to the consolidated income statement (Note 34)	**402,866**	448,341
Ending balance	**1,326,503**	923,637

26 DEFERRED INCOME TAX — GROUP (continued)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of land appreciation tax RMB'000	Temporary differences on recognition of tax losses RMB'000	Total RMB'000
As at 1 January 2012	**94,858**	**209,924**	**118,523**	**423,305**
Credited/(Charged) to the consolidated income statement	**9,448**	**47,292**	**(40,872)**	**15,868**
As at 31 December 2012	**104,306**	**257,216**	**77,651**	**439,173**
As at 1 January 2011	46,310	208,241	89,777	344,328
Credited to the consolidated income statement	48,548	1,683	28,746	78,977
As at 31 December 2011	94,858	209,924	118,523	423,305

26 DEFERRED INCOME TAX — GROUP (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2012	**(994,480)**	**(100,270)**	**(10,136)**	**(242,056)**	**(1,346,942)**
Charged to the consolidated income statement	**(146,822)**	**—**	**(215,873)**	**(56,039)**	**(418,734)**
As at 31 December 2012	**(1,141,302)**	**(100,270)**	**(226,009)**	**(298,095)**	**(1,765,676)**
As at 1 January 2011	(549,289)	(64,824)	(19,922)	(150,143)	(784,178)
(Charged)/Credited to the consolidated income statement	(445,191)	—	9,786	(91,913)	(527,318)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	—	(35,446)	—	—	(35,446)
As at 31 December 2011	(994,480)	(100,270)	(10,136)	(242,056)	(1,346,942)

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRSs financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and its tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB60,235,000 (2011: RMB40,809,000) as at 31 December 2012 in respect of accumulated losses amounting to RMB240,940,000 (2011: RMB163,236,000) as at 31 December 2012. Accumulated losses amounting to RMB5,296,000, RMB8,092,000, RMB54,384,000, RMB83,880,000 and RMB77,704,000, as at 31 December 2012 will expire in 2013, 2014, 2015, 2016 and 2017 respectively.

27 TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables (note (a))	**4,907,965**	3,684,693
Other payables (note (b))	**1,777,411**	2,391,807
Other taxes payable	**154,574**	124,671
	6,839,950	6,201,171

Notes:

(a) The ageing analysis of trade payables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**4,518,738**	3,486,284
Over 90 days and within 1 year	**389,227**	198,409
	4,907,965	3,684,693

(b) Other payables comprise:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Deposits and advances from constructors	**816**	1,365
Excess proceeds and deposits received from customers	**—**	458
Deposits received from tenants	**30,256**	34,182
Advances from third parties (note (i))	**1,382,212**	879,816
Consideration payable on acquisition of additional interest in a subsidiary	**—**	20,000
Consideration payable on acquisition of a jointly controlled entity	**50,000**	50,000
Consideration payable on acquisition of subsidiaries	**88,818**	88,802
Prepayments received in connection with the disposal of a jointly controlled entity (note (ii))	**—**	1,136,359
Payable to a joint venture partner Baolong	**118,686**	92,925
Miscellaneous	**106,623**	87,900
	1,777,411	2,391,807

27 TRADE AND OTHER PAYABLES (continued)

Group (continued)

Notes (continued):

(b) Other payables comprise (continued):

(i) The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms except for advances of RMB92,000,000 (2011: RMB150,000,000) made from Nanjing Guoding Investment Property Company and HK$464,000,000 (equivalent to RMB376,234,000) (2011: Nil) made from Mr. Zeng Huansha which bear interest at 12% and 15.5% per annum respectively and are due for repayment upon receiving demand from the lender.

(ii) The prepayments received as at 31 December 2011 were related to the disposal of the Group's entire 50% equity interest in a jointly controlled entity which has been completed as at 31 December 2012 (Note 30(b)).

Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Other payables	**—**	20,395

28 AMOUNTS DUE TO RELATED PARTIES

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Group		
Controlling Shareholders		
Mr. Wong Wun Ming	**1,480**	7,577
Controlled by the Controlling Shareholders		
Galaxy Earnest Limited	**113,519**	—
Joint venture (Note 13(a))		
Quanzhou Huachang (泉州明發華昌商業城開發建設有限公司)	**15,550**	23,550
	130,549	31,127

28 AMOUNTS DUE TO RELATED PARTIES (continued)

	As at 31 December 2012 RMB'000	2011 RMB'000
Group (continued)		
Amounts due to related parties:		
Denominated in RMB	**15,550**	23,550
Denominated in HK$	**114,999**	7,577
	130,549	31,127

	As at 31 December 2012 RMB'000	2011 RMB'000
Company		
Controlled by the Controlling Shareholders		
Galaxy Earnest Limited	**113,519**	—

The amounts due to related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due to related parties approximate their fair values.

29 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP

	Year ended at 31 December 2012 RMB'000	2011 RMB'000
Opening balance	**15,412**	3,830
Additional provision	**2,563**	14,688
Utilised during the year	**(2,958)**	(3,106)
Ending balance	**15,017**	15,412
Representing:		
Provided amounts	**70,757**	68,194
Utilised amounts	**(55,740)**	(52,782)
Net book amount	**15,017**	15,412

29 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP (continued)

The analysis of provision for other liabilities and charges is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Provision for delay in delivering properties	**15,017**	15,412

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated income statement, and subject to periodic review on the estimation. It is expected that RMB15,017,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 31 December 2012.

30 OTHER GAINS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Government grants (note (a))	**2,381**	1,808
Gains from disposal of property, plant and equipment	**—**	9
Net exchange gain	**926**	58,155
Gains from disposal of investment properties	**—**	209
Gain from disposal of a jointly controlled entity (note (b))	**1,026,694**	—
Miscellaneous	**1,470**	2,941
	1,031,471	63,122

Notes:

(a) The government grants represented both the amortisation of deferred government grant and other subsidy income received from various local governments to certain subsidiaries which were credited to the consolidated income statements directly. Grants from government were recognised at their fair values when the Group fulfilled the attached conditions.

As the provision of government grants should be approved by local government on a case by case basis there is no assurance that the Group will continue to enjoy such grants in the future.

(b) The Group disposed its entire 50% equity interest in a jointly controlled entity in 2012 and recognised a gain of RMB1,026,694,000 from the disposal (Note 27(b)(ii)).

31 EXPENSES BY NATURE

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Staff costs — including directors' emoluments (note (a))	**148,356**	119,295
Auditor's remuneration	**2,750**	2,750
Depreciation	**36,216**	34,773
Amortisation of land use rights	**7,241**	5,134
Advertising, promotion and commission costs	**104,021**	90,402
Cost of properties sold	**2,226,064**	1,216,195
Business tax and other levies on sales of properties (note (b))	**196,841**	157,507
Direct outgoings arising from investment properties that generate rental income	**56,739**	15,920
Hotel operating expenses	**56,429**	44,666
Charitable donations	**3,195**	2,384
Office expenses	**83,736**	67,708
Professional fees	**15,603**	21,341
(Reversal of)/Additional provision for impairment of receivables	**(1,741)**	4,409
Impairment of goodwill (Note 10)	**36**	7,503
Provision for delay in delivering properties (Note 29)	**2,563**	14,688
Miscellaneous	**57,872**	56,552
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	**2,995,921**	1,861,227

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Wages and salaries	**120,628**	101,838
Pension costs — statutory pension	**11,906**	8,870
Other allowances and benefits	**15,822**	8,587
	148,356	119,295

(b) Business tax and other levies on sales of properties

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale of properties. These expenses are included in cost of sales.

32 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits	**21,726**	14,066
Interest on bank borrowings and overdrafts		
— wholly repayable within five years	**(297,344)**	(266,996)
— wholly repayable over five years	**(48,351)**	(20,713)
Interest on other borrowings and advances from third parties	**(58,272)**	—
Interest expense on convertible bonds (Notes 24(b) and 24(c))	**(314,689)**	(244,129)
Less: Interest capitalised	**512,018**	321,621
Finance costs	**(206,638)**	(210,217)
Net finance costs	**(184,912)**	(196,151)

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each executive director of the Company for the year ended 31 December 2012 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Bonuses RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Executive directors						
Mr. Wong Wun Ming	—	120	—	—	—	120
Mr. Huang Qingzhu	—	120	—	—	—	120
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
Non-executive director						
Mr. Chi Miao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Wong Po Yan	195	—	—	—	—	195
Mr. Dai Yiyi	162	—	—	—	—	162
Mr. Qu Wenzhou	162	—	—	—	—	162
	519	282	—	—	—	801

The remuneration of each director of the Company for the year ended 31 December 2011 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Bonuses RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Executive directors						
Mr. Wong Wun Ming	—	120	—	—	—	120
Mr. Huang Qingzhu	—	120	—	—	—	120
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
Non-executive director						
Mr. Chi Miao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Wong Po Yan	173	—	—	—	—	173
Mr. Dai Yiyi	141	—	—	—	—	141
Mr. Qu Wenzhou	141	—	—	—	—	141
	455	282	—	—	—	737

No emolument was paid to non-executive director for the years ended 31 December 2012 and 2011.

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

During the years ended 31 December 2012 and 2011, none of the five highest paid individuals are directors of the Company, whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments of the five highest paid individuals for the years ended 31 December 2012 and 2011 are set out below:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Basic salaries and allowance	**4,346**	5,202
Bonuses	**—**	—
Retirement scheme contributions	**491**	418
	4,837	5,620

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2012 and 2011 presented fall within the range of following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$500,001–HK$1,000,000	**4**	4
HK$2,000,001–HK$2,500,000	**1**	—
HK$3,500,001–HK$4,000,000	**—**	1

34 INCOME TAX EXPENSE

	Year ended 31 December 2012 RMB'000	2011 RMB'000
Current income tax		
— PRC enterprise income tax	**192,147**	243,850
— PRC land appreciation tax	**191,468**	237,911
	383,615	481,761
Deferred income tax		
— PRC enterprise income tax	**346,827**	356,428
— PRC withholding income tax	**56,039**	91,913
	402,866	448,341
	786,481	930,102

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

	Year ended 31 December 2012 RMB'000	2011 RMB'000
Profit before income tax	**2,545,769**	2,535,757
Less: PRC land appreciation tax	**(191,468)**	(237,911)
	2,354,301	2,297,846
Calculated at PRC enterprise income tax rate of 25%	**588,575**	574,462
Tax saving due to preferential rate	**—**	(431)
Effect of expenses not deductible for income tax purposes (note (a))	**68,594**	22,726
Income not subject to tax (note (b))	**(137,621)**	(17,449)
Tax losses not recognised as deferred tax assets	**19,426**	20,970
PRC enterprise income tax	**538,974**	600,278
PRC land appreciation tax	**191,468**	237,911
PRC withholding income tax	**56,039**	91,913
Total tax charge	**786,481**	930,102

Notes:

(a) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses, interest expense on convertible bonds and for 2011, the fair value losses on derivative financial instruments.

(b) Income not subject to tax for 2012 mainly comprises fair value gains on derivative financial instruments.

34 INCOME TAX EXPENSE (continued)

Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2012 (2011: Nil).

PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (the "new EIT Law"). The new EIT Law reduces the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% effective from 1 January 2008 and there are transitional arrangements for enterprises which have been subject to preferential tax treatments in the past. For the subsidiaries established in Xiamen of the PRC, the new tax rate will gradually increase from 15% to 25% starting from 1 January 2008 over 5 years.

PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose. The tax rate of the subsidiaries established in Xiamen of the PRC has been increased to 25% for the year ended 31 December 2012 (2011: 24%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

A property project in Jiangsu province is subject to land appreciation tax calculated at a rate of 4.5% on the proceeds from sales of properties, as agreed with the local tax authority.

PRC withholding income tax

According to the new EIT Law and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their invested entities in the PRC declare their dividends out of the profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied, subject to approval of local tax authorities, when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group accrues for the PRC withholding income tax based on the tax rate of 5% for its immediate holding companies which are established in Hong Kong.

35 DIVIDENDS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Proposed final dividend of nil (2011: HK5.0 cents) per ordinary share	**—**	245,783

The board of directors of the Company did not recommend payment of final dividend for the year ended 31 December 2012.

The final dividend in respect of 2011 of HK5.0 cents per ordinary share, amounting to approximately HK$304,673,000 (equivalent to approximately RMB245,783,000) was approved at the annual general meeting of the Company held on 18 May 2012. The amount was paid in 2012.

36 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2012 and 2011 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company (RMB'000)	**1,764,745**	1,596,967
Weighted average number of ordinary shares in issue (thousands)	**6,089,423**	6,037,173
Basic earnings per share (RMB cents)	**29.0**	26.5

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and warrants. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect and any exchange and fair value movements. For the warrants, a calculation is done to determine the number of shares that could have been acquired based on the monetary value of the subscription rights attached to the warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

36 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

For the years ended 31 December 2012 and 2011, as the average market share price of the ordinary shares during the year was lower than the subscription price, the impact of exercise of warrants on earnings per share is anti-dilutive.

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**1,764,745**	1,596,967
Interest expense on convertible bonds (net of tax)	**41,811**	102,397
Exchange losses/(gains) on convertible bonds — liability component	**1,012**	(83,444)
Changes in fair value of convertible bonds — embedded derivatives	**(337,950)**	184,189
Profit used to determine diluted earnings per share	**1,469,618**	1,800,109
Weighted average number of ordinary shares in issue (thousands)	**6,089,423**	6,037,173
Adjustment for conversion of convertible bonds (thousands)	**1,098,443**	833,849
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**7,187,866**	6,871,022
Diluted earnings per share (RMB cents)	**20.4**	26.2

37 NET CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit before income tax for the year	**2,545,769**	2,535,757
Adjustments for:		
Interest income	**(21,726)**	(14,066)
Interest expense	**206,638**	210,217
Depreciation	**36,216**	34,773
Share of results of:		
— Associated companies	**8,269**	14,010
— Jointly controlled entities	**3,257**	4,958
Amortisation of land use rights	**7,241**	5,134
Amortisation of other non-current assets	**2,280**	2,280
Fair value gains on investment properties	**(624,629)**	(1,753,846)
Fair value (gains)/losses on derivative financial instruments	**(340,932)**	183,693
(Reversal of)/Additional provision for impairment of receivables	**(1,741)**	4,409
Losses from disposal of property, plant and equipment	**8**	14
Impairment of goodwill	**36**	7,503
Net exchange (gain)/loss on cash	**(273)**	29,929
Gain from disposal of a jointly controlled entity	**(1,026,694)**	—
	793,719	1,264,765
Changes in working capital:		
Properties under development and completed properties held for sale	**(1,606,181)**	(3,322,239)
Land use rights	**(12,069)**	(2,180,613)
Restricted cash	**(73,370)**	(236,435)
Trade and other receivables and prepayments	**(278,341)**	(60,279)
Trade and other payables	**1,005,071**	1,470,864
Advanced proceeds received from customers	**619,557**	57,612
Net cash generated from/(used in) operations	**448,386**	(3,006,325)

38 PENSIONS — DEFINED CONTRIBUTION PLANS

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

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

Retirement scheme contributions for the employees incurred for the years ended 31 December 2012 and 2011, which have been charged to the consolidated income statement of the Group, are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Gross scheme contributions	**11,906**	8,870

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the subsidiaries, associated companies and jointly controlled entities of the Group as at 31 December 2012 and 2011 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	Effective interest held as at 31 December 2011	Principal activities
Subsidiaries — established in the PRC							
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK$1,000,000,000	HK$1,000,000,000	100%	100%	Property development & Investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB80,000,000	RMB80,000,000	100%	100%	Property development
Nanjing Software Valley Mingfa Information Technology Development Company Limited (Previously named as: Jiangsu Mingfa Industrial Raw Material Co., Ltd.) 南京軟件谷明發信息科技發展有限公司 (原名：江蘇明發工業原料城有限公司) ("Software Valley Mingfa") (note (c))	21 June 2005	Sino-foreign joint venture	US$60,000,000	US$60,000,000	51%	100%	Development of logistic centre
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Foreign investment enterprise	US$108,980,000	US$108,980,000	100%	100%	Development of business centre
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司	13 February 2007	Sino-foreign joint venture	HK$230,000,000	HK$230,000,000	100%	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	70%	70%	Property development
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US$110,000,000	US$110,000,000	100%	100%	Property development
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	1 November 2005	Sino-foreign joint venture	US$29,990,000	US$29,990,000	100%	100%	Property development
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US$60,000,000	US$60,000,000	100%	100%	Property development
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司	15 September 2004	Sino-foreign joint venture	US$14,804,000	US$14,804,000	100%	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property investment
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	16 September 2004	Foreign investment enterprise	US$2,880,000	US$2,880,000	100%	100%	Hotel operation
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB16,680,000	RMB16,680,000	100%	100%	Property development
Xiamen Ming Sheng Investment Management Co., Ltd. 廈門明勝投資管理有限公司	18 April 2006	Foreign investment enterprise	HK$68,000,000	HK$68,000,000	100%	100%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	Furniture manufacturing
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	27 October 2005	Foreign investment enterprise	US$2,000,000	US$2,000,000	100%	100%	Furniture manufacturing

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	Effective interest held as at 31 December 2011	Principal activities
Subsidiaries — established in the PRC (continued)							
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	12 June 2008	Domestic enterprise	RMB6,000,000	RMB6,000,000	100%	100%	Property development
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發有限公司	28 November 2006	Domestic enterprise	RMB8,000,000	RMB8,000,000	100%	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
Nanjing Mingfa Chemical Warehousing Co., Ltd. 南京明發化工倉儲有限公司 (note (a))	7 September 2005	Foreign investment enterprise	US$7,250,000	US$1,100,000	50%	50%	Development of logistic centre
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US$23,500,000	US$23,500,000	100%	100%	Hotel operation
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)傢俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Property investment
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設有限公司	18 October 1998	Domestic enterprise	RMB30,080,000	RMB30,080,000	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Development of business centre
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB12,000,000	RMB12,000,000	100%	100%	Development of business centre
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	100%	100%	Development of business centre
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK$8,000,000	HK$8,000,000	100%	100%	Property development
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK$10,000,000	HK$10,000,000	100%	100%	Property development
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	19 May 2006	Foreign investment enterprise	US$10,000,000	US$1,504,875	100%	100%	Industrial manufacturing
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	12 December 2006	Foreign investment enterprise	RMB180,000,000	RMB180,000,000	100%	100%	Property development
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司	22 October 2009	Domestic enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Property development

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	2011	Principal activities
Subsidiaries — established in the PRC (continued)							
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司	16 March 2005	Foreign investment enterprise	US$60,000,000	US$60,000,000	**100%**	100%	Property development
Mingfa Group Tianjin Real Estate Co., Ltd. 明發集團天津房地產開發有限公司	10 February 2010	Domestic enterprise	RMB100,000,000	RMB100,000,000	**70%**	70%	Property development
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司	24 March 2010	Domestic enterprise	US$30,000,000	US$30,000,000	**100%**	100%	Property development
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US$5,000,000	US$5,000,000	**100%**	100%	Property development
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業經營管理有限公司	2 June 2010	Foreign investment enterprise	HK$5,000,000	HK$1,000,000	**100%**	100%	Property development
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝(揚州)商業管理有限公司	26 April 2010	Foreign investment enterprise	HK$5,800,000	HK$5,800,000	**100%**	100%	Property development
Ming Sheng (Wuxi) Property Management Co., Ltd. 明勝(無錫)經營管理有限公司	15 July 2010	Foreign investment enterprise	HK$5,000,000	HK$1,000,000	**100%**	100%	Property development
Mingfa Group Chengdu Real Estate Co., Ltd. 明發集團成都房地產開發有限公司	2 July 2010	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	100%	Property development
Ming Sheng (Zhangzhou) Property Management Co., Ltd. 明勝(漳州)物業經營管理有限公司	21 May 2010	Foreign investment enterprise	RMB5,000,000	RMB5,000,000	**100%**	100%	Property development
Ming Sheng (Nanjing) Business Management Co., Ltd. 明勝(南京)商業管理有限公司	15 November 2010	Foreign investment enterprise	US$2,000,000	US$2,000,000	**100%**	100%	Property development
Huizhou Fuzhiye Industrial and Trading Development Co. Ltd. 惠州富之頁工貿實業發展有限公司	31 October 2011	Foreign investment enterprise	US$11,200,000	US$11,200,000	**80%**	80%	Property development
Huizhou Fuzhiye Industrial and Trading Co. Ltd. 惠州富之頁工貿實業有限公司	31 October 2011	Foreign investment enterprise	US$23,500,000	US$16,346,373	**80%**	80%	Property development
Mingfa Group (Changsha) Real Estate Co., Ltd. 明發集團(長沙)房地產開發有限公司	3 May 2011	Foreign investment enterprise	US$15,500,000	US$2,325,000	**100%**	100%	Property development
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司	18 July 2011	Foreign investment enterprise	US$29,800,000	US$20,000,000	**100%**	100%	Hotel operation
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團(泰州)房地產開發有限公司	11 August 2011	Foreign investment enterprise	US$49,500,000	US$34,030,000	**100%**	100%	Property development
Mingfa Group (Tianjin Binhai New Area) Real Estate Development Co., Ltd. 明發集團(天津濱海新區)房地產開發有限公司	8 September 2011	Foreign investment enterprise	US$30,000,000	US$5,000,000	**100%**	100%	Property development

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	2011	Principal activities
Subsidiaries — established in the PRC (continued)							
Xiamen Mingfa Daisi Hotel Co., Ltd. (Previously named as: Xiamen Mingfa Daisi Hotel Management Co., Ltd.) 廈門明發戴斯酒店有限公司 (原名：廈門明發戴斯酒店管理有限公司)	4 November 2011	Foreign investment enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Hotel operation
Huaian Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司	16 November 2011	Foreign investment enterprise	US$20,000,000	US$20,000,000	100%	100%	Hotel operation
Mingfa (Longhai) Real Estate Company Limited 明發(龍海)房地產開發有限公司	24 February 2012	Foreign investment enterprise	HK$50,000,000	HK$7,510,000	100%	—	Property development
Mingfa Group (Shenzhen) Real Estate Company Limited 明發集團(深圳)房地產開發有限公司	21 May 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	Property development
Xiamen Mingfa Harbour Resort Hotel Management Company Limited 廈門明發海灣度假村酒店管理有限公司	29 February 2012	Foreign investment enterprise	RMB10,000,000	RMB10,000,000	100%	—	Hotel management
Lanzhou Zhongke Ecological Agriculture Integrated Development Company Limited 蘭州中科生態農業綜合開發有限公司 (note (d))	15 March 2011	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	51%	—	Property development
Nanjing Mingfa Tongda Electronics and Information Technology Company Limited 南京明發通達電子信息技術發展有限公司	12 July 2012	Sino-foreign joint venture	US$10,000,000	—	90%	—	Development of business centre
Mingfa (China) Investments Company Limited 明發(中國)投資有限公司	23 October 2012	Foreign investment enterprise	US$30,000,000	—	100%	—	Investment holding
Nanjing Mingfa New Town Real Estate Company Limited 南京明發新城置業有限公司	24 December 2012	Domestic enterprise	RMB200,000,000	RMB40,000,000	64%	—	Property development
Beijing Ming Sheng Jun Chi Property Management Company Limited 北京明勝俊馳物業管理有限公司	14 November 2012	Foreign investment enterprise	RMB5,000,000	—	100%	—	Property management
Nanjing Mingfa Tong Neng Computer Industry Development Company Limited 南京明發通能計算機產業發展有限公司	28 November 2012	Sino-foreign joint venture	US$50,000,000	—	75%	—	Development of business centre
Shenyang Mingfa Creative Real Estate Company Limited 瀋陽明發創意房地產開發有限公司	5 November 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	Property development
Shenyang Mingfa Jin Lang Real Estate Company Limited 瀋陽明發金廊置業有限公司	22 November 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	Property development

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	2011	Principal activities
Subsidiaries — incorporated in Hong Kong							
Ming Fat Holdings (Hong Kong) Co., Ltd. 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK$200,000,000	HK$80,000,000	100%	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK$2,000,000	HK$2,000,000	100%	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	25 January 2008	Partnership	—	—	100%	100%	Investment holding
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	23 August 2005	Limited liability company	HK$300,000,000	HK$300,000,000	70%	70%	Investment holding
H.K. Ming Shing Assets Management Group Limited 香港名勝資產管理有限公司	10 September 2009	Limited liability company	HK$10,000	HK$10,000	100%	100%	Investment holding
Dowence Development Limited 都運時發展有限公司	31 October 2011	Limited liability company	HK$10,000	HK$10,000	80%	80%	Investment holding
Mingfa Group Property Company Limited 明發集團房地產有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	100%	100%	Investment holding
Mingfa Group Construction Company Limited 明發集團建設有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	100%	100%	Investment holding
Mingfa Group Development Company Limited 明發集團發展有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	100%	100%	Investment holding
Mingfa Property Investment Company Limited 明發物業投資有限公司	3 August 2010	Limited liability company	HK$10,000	HK$10,000	100%	100%	Investment holding
Mingfa Group Financial Investments Company Limited 明發集團金融投資有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
Mingfa Group Finance Company Limited 明發集團財務有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	2011	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
Mingfa Group (China) City Center Integrated Projects Company Limited 明發集團(中國)城市綜合體建設有限公司	26 April 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
Mingfa Group (China) Travel Estate Development Company Limited 明發集團(中國)旅遊地產開發有限公司	26 April 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團(中國)商業地產開發有限公司	26 April 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
Mingfa Group (China) New Town Construction Company Limited 明發集團(中國)新城鎮建設有限公司	3 May 2011	Limited liability company	HK$10,000	HK$1,000	100%	100%	Investment holding
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group Technology Property Real Estate Development Company Limited 明發集團科技產業地產開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Truefull Construction Holdings Limited 明發竹風建設集團有限公司	23 November 2012	Limited liability company	HK$200,000,000	—	80%	—	Investment holding
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group (China) World Center Development Company Limited 明發集團(中國)世界貿易中心開發有限公司	29 November 2012	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Subsidiaries — incorporated in British Virgin Islands							
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US$50,000	US$11,100	100%	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US$50,000	US$10,000	100%	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US$50,000	US$10,000	100%	100%	Investment holding
Elite Harbour Limited 港俊有限公司*	26 March 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Crown Succeed Limited 成冠有限公司*	26 March 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding

* Directly held by the Company

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	2011	Principal activities
Subsidiaries — incorporated in British Virgin Islands (continued)							
Shiny Hope Limited 明望有限公司*	18 March 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Jian Mao Limited 建茂有限公司*	19 November 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Sign Boom Limited 兆興有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Yue Fa Investments Limited 越發投資有限公司*	17 November 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Day Sleek Limited 日順有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
HaoFa Limited 好發有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Lead Far Group Limited 利發集團有限公司*	10 March 2011	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Trade Far Holdings Limited 貿發控股有限公司*	11 March 2011	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Dragon Boom Holdings Limited 龍旺控股有限公司*	22 March 2011	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Hero Shine Holdings Limited 英盛控股有限公司*	25 March 2011	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Brave Fortune Group Limited 勇發集團有限公司*	25 March 2011	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Long Thrive International Limited 長盛國際有限公司*	17 October 2012	Limited liability company	US$1	US$1	100%	—	Investment holding
Astute Skill Limited 明巧有限公司*	26 October 2012	Limited liability company	US$1	US$1	100%	—	Investment holding
Great Stand Investments Limited 昌立投資有限公司*	29 October 2012	Limited liability company	US$1	US$1	100%	—	Investment holding
Baile Investments Limited 百樂投資有限公司*	30 October 2012	Limited liability company	US$1	US$1	100%	—	Investment holding
Moon Rainbow Limited 滿虹有限公司*	30 October 2012	Limited liability company	US$1	US$1	100%	—	Investment holding
Best Trinity Holdings Limited 合盛控股有限公司	6 November 2012	Limited liability company	US$1,000	US$1,000	80%	—	Investment holding

* Directly held by the Company

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2012	2011	Principal activities
Associated company — established in the PRC							
Changchun Shimao Ke Rui Real Estate Company Limited 長春世茂科瑞置業有限公司 (note (e))	28 October 2009	Domestic enterprise	RMB300,000,000	RMB300,000,000	25%	—	Property development
Associated company — incorporated in British Virgin Islands							
Eagle Rights Limited 鈞濠有限公司 (note (b))	20 June 2011	Limited liability company	US$45,000,000	US$45,000,000	33.33%	33.33%	Investment holding
Jointly controlled entities — established in the PRC							
Xiamen Longxiang Real Estate Development Co., Ltd. 廈門龍祥房地產開發有限公司 (note (f))	29 June 2011	Domestic enterprise	RMB50,000,000	RMB50,000,000	—	50%	Property development
Quanzhou Mingfa Huachang Development and Construction Co., Ltd. 泉州明發華昌商業城開發建設有限公司	12 March 2010	Domestic enterprise	RMB110,000,000	RMB110,000,000	50%	50%	Property development
Mingsheng (Quanzhou) Property Management Co., Ltd. 明勝(泉州)物業管理有限公司	18 November 2011	Sino-foreign joint venture	RMB5,000,000	RMB5,000,000	50%	50%	Property development

Notes:

(a) The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Nanjing Mingfa Chemical Warehousing Co., Ltd. by virtue of possessing dominating position in the meeting of board of directors and also has the power to determine and share the variable returns from the entity, therefore, it is regarded as a subsidiary of the Group.

(b) 33% equity interest was obtained by the Group on 20 June 2011.

(c) 49% equity interest was disposed by the Group on 31 December 2012.

(d) 51% equity interest was obtained by the Group on 25 July 2012.

(e) 25% equity interest was obtained by the Group on 21 March 2012.

(f) 50% equity interest was disposed by the Group on 26 July 2012.

40 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2012.

		As at 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	**3,080,495**	3,227,283

Note:

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

41 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Authorised but not contracted for	**371,733**	71,230
Contracted but not provided for		
— Property, plant and equipment	**—**	3,145
— Properties being developed by the Group for sale	**544,741**	1,579,558
— Land use rights	**3,715,809**	3,075,255
	4,260,550	4,657,958

41 COMMITMENTS (continued)

(b) Commitments for equity investments

	As at 31 December 2012 RMB'000	2011 RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary located in Chengdu (Note 8(b))	**9,544**	9,544
— Acquisition of a subsidiary located in Lanzhou (Note 43)	**—**	19,890
	9,544	29,434

(c) Operating lease commitments

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

	As at 31 December 2012 RMB'000	2011 RMB'000
Within one year	**36,768**	11,696
Between two to five years	**67,114**	14,671
	103,882	26,367

(d) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December 2012 RMB'000	2011 RMB'000
Within one year	**212,734**	117,783
Between two to five years	**790,092**	549,019
After five years	**1,666,462**	1,222,723
	2,669,288	1,889,525

42 TRANSACTION WITH NON-CONTROLLING INTERESTS

Disposal of interest in a subsidiary without loss of control

In December 2012, the Group disposed its 49% interest in Nanjing Software Valley Mingfa Information Technology Development Company Limited ("Software Valley Mingfa"), a wholly owned subsidiary of the Group to Nanjing Software Valley Development Company Limited ("Nanjing Software Valley") at a consideration of RMB1,053,500,000. The carrying amount of the 49% interest in Software Valley Mingfa on the date of disposal was RMB694,398,000. The Group recognised an increase in non-controlling interests of RMB694,398,000 and an increase in equity attributable to owners of the Company of RMB273,731,000 which represented the gain arising from the disposal. The effect of change in the ownership interest of Software Valley Mingfa on the equity attributable to owners of the Company is summarised as follows:

	RMB'000
Carrying amount of the 49% interest disposed of	(694,398)
Consideration received from non-controlling interests	200,000
Consideration receivable from non-controlling interests (Note 17)	853,500
PRC withholding income tax on disposal	(85,371)
Gain on disposal recorded within equity	273,731

There was no transaction with non-controlling interests in 2011.

43 ACQUISITION OF A SUBSIDIARY

On 25 July 2012, the Group completed an acquisition of 51% equity interest in Lanzhou Zhongke Ecological Agriculture Integrated Development Company Limited at a cash consideration of approximately RMB19,890,000. The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at their respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The assets and liabilities acquired are as below:

	Purchased value RMB'000
Prepayments for land use rights	44,798
Property, plant and equipment	1,065
Properties under development	96,837
Cash and cash equivalents	15,940
Trade and other receivables	2,160
Trade and other payables	(21,800)
Borrowings	(100,000)
Total net assets	39,000
Net assets acquired (51%)	19,890
Purchase consideration settled in cash	19,890
Less: Cash and cash equivalents in the subsidiary acquired	(15,940)
Cash outflow on acquisition	3,950

44 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

(i) Controlling Shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun, with Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the Controlling Shareholders.

(ii) Controlled by the Controlling Shareholders

Xiamen Property Development *	廈門市明發物業發展有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司
Galaxy Earnest Limited	銀誠有限公司

(iii) Common directors

Nanjing Qianqiuye *	明發集團南京千秋業水泥製品有限公司

* These companies were subsidiaries of the Group before they were disposed.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

44 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

Other than those disclosed elsewhere in the financial statements, the Group had entered into the following major related party transactions:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Continuing transactions		
— Purchase of construction materials from Nanjing Qianqiuye	**7,752**	—

(c) Key management compensation

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**4,307**	5,508
Retirement scheme contributions	**299**	299
	4,606	5,807

45 SUBSEQUENT EVENTS

The Group has issued the US$100,000,000, 13.25% senior notes due 2018 on 25 January 2013. The net proceeds was US$96,700,000.

46 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 18 March 2013.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,741,096**	2,978,828	3,007,872	3,681,027	2,061,065
Profit before tax	**2,545,769**	2,535,757	1,713,259	1,865,612	956,752
Income tax	**(786,481)**	(930,102)	(548,834)	(881,346)	(546,257)
Profit for the year	**1,759,288**	1,605,655	1,164,425	984,266	410,495
Attributable to:					
Equity holders of the Company	**1,764,745**	1,596,967	1,167,848	987,461	448,413
Non-controlling interests	**(5,457)**	8,688	(3,423)	(3,195)	(31,463)
	1,759,288	1,605,655	1,164,425	984,266	416,950

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**32,314,091**	26,862,787	18,210,217	12,895,854	10,125,488
Total liabilities	**(22,473,146)**	(19,592,958)	(12,582,877)	(8,199,977)	(8,261,898)
Non-controlling interests in equity	**(972,158)**	(264,106)	(89,867)	(63,272)	(66,467)
	8,868,787	7,005,723	5,537,473	4,632,605	1,797,123