



**WUZHOU INTERNATIONAL**  
HOLDINGS LIMITED

五洲國際控股有限公司





Responsible  
Real Estate  
Healthy Commercial Business

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Shu Cecheng (Chairman)  
Mr. Shu Cewan (Chief Executive Officer)  
Mr. Shu Ceyuan  
Ms. Wu Xiaowu  
Mr. Zhao Lidong

### Independent Non-Executive Directors

Dr. Song Ming  
Mr. Lo Kwong Shun, Wilson  
Prof. Shu Guoying

## COMPANY SECRETARY

Mr. Chan Sze Hon

## AUTHORIZED REPRESENTATIVES

Mr. Chan Sze Hon  
Mr. Shu Cecheng

## AUDIT COMMITTEE

Mr. Lo Kwong Shun, Wilson (Committee Chairman)  
Dr. Song Ming  
Prof. Shu Guoying

## REMUNERATION COMMITTEE

Dr. Song Ming (Committee Chairman)  
Mr. Shu Cewan  
Prof. Shu Guoying

## NOMINATION COMMITTEE

Mr. Shu Cecheng (Committee Chairman)  
Dr. Song Ming  
Mr. Lo Kwong Shun, Wilson

## AUDITORS

Ernst & Young  
Certified Public Accountants

## COMPLIANCE ADVISOR

Octal Capital Limited

## PRINCIPAL BANKERS

Bank of China Limited  
Bank of Communications Co., Ltd  
Industrial and Commercial Bank of China Limited  
Xiamen International Bank

## LEGAL ADVISORS

**As to Hong Kong Law**  
Shearman & Sterling

**As to PRC Law**  
Global Law Office

**As to Cayman Islands Law**  
Walkers

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## CORPORATE HEAD OFFICE IN HONG KONG

Unit 5105, 51/F  
The Center  
99 Queen's Road Central  
Central  
Hong Kong





## CORPORATE INFORMATION

**CORPORATE HEADQUARTERS IN  
PEOPLE'S REPUBLIC OF CHINA**

19th Floor  
Wuzhou International Columbus Plaza Tower B  
287 Guangyi Road  
Wuxi  
China

**CAYMAN ISLANDS PRINCIPAL SHARE  
REGISTRAR AND TRANSFER OFFICE**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**LISTING INFORMATION****Share Listing**

The Company's ordinary shares  
The Stock Exchange of Hong Kong Limited  
Stock Code: 01369

**Senior Notes Listing**

The Company's 13.75%, 5 years senior notes due 2018  
The Stock Exchange of Hong Kong Limited  
Stock code: 05970

**WEBSITE**

<http://www.wz-china.com>





Generate Wealth  
for the Society

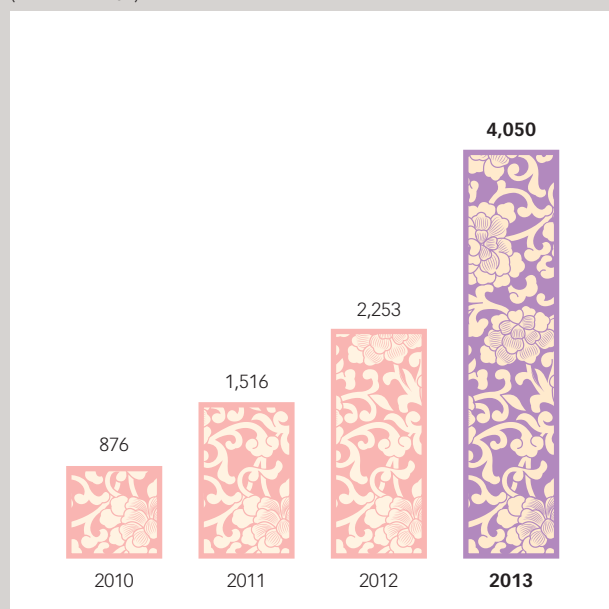


# FINANCIAL HIGHLIGHTS

	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	875,794	1,515,769	2,253,240	<b>4,049,567</b>
Gross profit	390,025	739,482	1,200,866	<b>1,769,083</b>
Profit attributable to owners of the Company	284,837	313,412	699,711	<b>1,020,036</b>
Basic earnings per share (RMB)	N/A	N/A	0.20	<b>0.25</b>
Total assets	4,247,286	7,330,516	10,433,785	<b>15,421,132</b>
Total liabilities	3,376,173	6,078,594	8,788,670	<b>11,437,057</b>

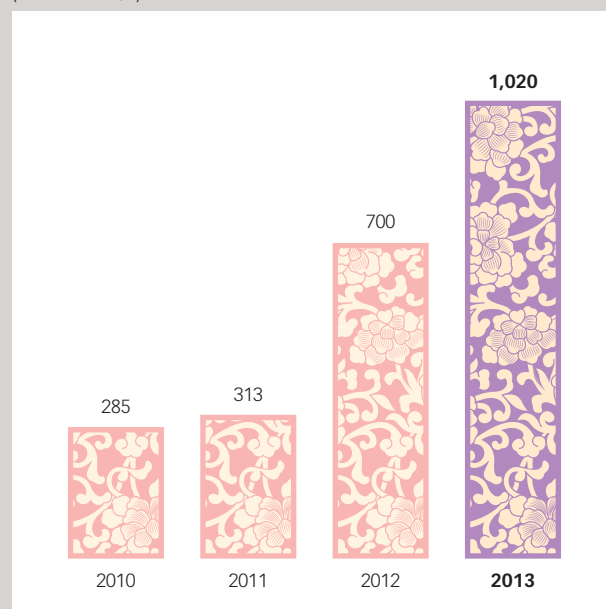
## Revenue

(in RMB' million)



## Profit

(in RMB' million)





# HIGHLIGHTS OF THE YEAR

## 2013 January

- 1 • The Group acquired a parcel of land with site area of 203,000 sq.m. in Nantong City, Jiangsu Province.
- 2 • The Group acquired a parcel of land in Baoshan City, Yunnan Province for establishing an urban commercial complex.

## February

- 3 • Longkou Wuzhou International Trade City, the third of our developments in Shandong Province, commenced construction.

## March

- 4 • The Group made a successful bid for a parcel of commercial land located in Ruian, Wenzhou, Zhejiang Province for developing projects of specialized markets.

## April

- 5 • The Group acquired a parcel of land in Yancheng, Jiangsu Province for establishing an urban commercial complex.
- 6 • The Group acquired a parcel of land in Longkou Shandong Province for establishing a specialized market.
- 7 • Jianhu Wuzhou International Trade City in Jiangsu Province commenced operations.

## May

- 8 • The Group announced the sales launch of Hangzhou Wuzhou International Plaza in Zhejiang.
- 9 • The Group acquired a parcel of land in Mudanjiang, Heilongjiang for establishing a specialized market.

## June

- 10 • The shares of Wuzhou International Holdings Limited were successfully listed and traded on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").
- 11 • The Group entered into a strategic cooperation agreement with China Construction Second Engineering Bureau Ltd., one of the Top 100 Most Competitive Enterprises in China.



HIGHLIGHTS OF THE YEAR

July

- 12 • The Group held “Wuzhou International Grand Ceremony Cum Listing Gratitude Banquet”.
- 13 • The Group made a successful bid for a parcel of land located in Changchun Jingyue Economic Development Zone in Jilin, the first step in Northeast China.
- 14 • Yancheng Wuzhou International Plaza in Jiangsu Province, a key development project of Yancheng City, came into operation.

August

- 15 • Wuzhou International announced its first interim results and recorded sales amount of RMB2.257 billion for the first half of the year.
- 16 • Wuzhou International acquired land use rights in Yixing City, Jiangsu Province.

September

- 17 • Wuzhou International successfully issued the senior notes in the principal amount of US\$100 million. The term of such issue of the senior notes was five years; the Company intended to use the net proceeds of the notes issue to invest in existing and new real estate projects and the remainder for general corporate purposes.
- 18 • The Group made a successful bid for a parcel of commercial land located in Henan Luoyang Industrial Park. A groundbreaking ceremony held at the site for commencing the construction of Luoyang Wuzhou International Industrial Exhibition City, symbolizing our successful expansion of large-scale specialized markets into Western and Central China.
- 19 • Wuzhou International Automobile Exhibition City, an auto theme park with a site area of 2,000 mu, in Nantong City, Jiangsu Province marked a grand launch.



## HIGHLIGHTS OF THE YEAR

- 20 • Huaian Wuzhou International Plaza in Jiangsu Province came into operation and attracted numerous domestic and international reputable brands to sign up as tenants.
- 21 • Baoshan Wuzhou International Plaza in Yunnan Province made a grand launch. The project is the key complex project of Baoshan Government as well as the second urban complex of Wuzhou International in Yunnan.
- 22 • Rongchang Wuzhou International Trade City in Chongqing City came into operation. The project is listed as a Key Project of Chongqing City and a Key Project of Rongchang County.
- 23 • According to the Research Findings on the Brand Value of Real Estate in China 2013 issued recently, the brand of “Wuzhou International” was listed in the Top 10 Commercial Real Estate Enterprises by Brand Value.

### October

- 24 • The Group made a successful bid for a parcel of land for constructing the 1st phase of Shenyang Wuzhou International Industrial Exhibition City in Liaoning Province – Hardware and Electric-mechanical Division.
- 25 • The Global Merchant Center of Wuzhou International Trade City in Ruian City in Zhejiang Province.



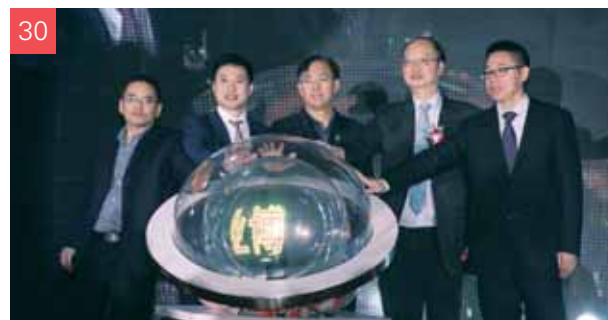
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### November

- 26 • The Group signed “The State-owned Construction Land Use Rights Grant Contract” with Jilin Bureau of Land and Resources for the acquisition of a land with a total GFA of 74,760 sq.m. for tertiary uses located in Chang Yi Qu, Jilin City, Jilin Province.
- 27 • Grand opening of Xiangyang Wuzhou International Industrial Exhibition City in Hubei Province was held, representing our successful breaking into the commercial market in Central China.

### December

- 28 • Yantai Wuzhou International Industrial Exhibition City (Fushan) in Shandong Province came into operation, signifying an implementation of our strategic expansion into Northern China.
- 29 • Mudanjiang Wuzhou International Commercial Exposition City in Heilongjiang Province marked a grand launch.
- 30 • Shenyang Wuzhou International Industrial Exhibition City in Liaoning Province commenced construction.
- 31 • Wuzhou International Trade City in Ruian, Wenzhou City, Zhejiang Province marked a grand launch and it is estimated to be completed in 2014.
- 32 • The Group entered into a strategic cooperation with Red Star Macalline, the leading furniture mall chain in China.



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# HONOURS AND AWARDS

## MAJOR HONORS AND AWARDS

1. "2013 Top Ten Brand Value of Commercial Property Companies in China"
2. "Hong Kong Outstanding Enterprises" by Economic Digest – Wuzhou International Holdings Limited
3. "Most Promising Commercial Property 2013"
4. "Top 500 Brand Enterprises in China"
5. "People of the Year in Brand Enterprises in China"
6. "CAPITAL Leaders of Excellence" by Capital Magazine – Mr. Shu Cecheng, our chairman

27/9/2013

2013 Top Ten Brand Value of  
Commercial Property Companies in China

**Enterprise Research Institute of the Development Research Center of the State Council, Property Research Center of Tsinghua University, the China Index Academy**

Co-organised by the Enterprise Research Institute of the Development Research Center of the State Council, Property Research Center of Tsinghua University and the China Index Academy, the 2013 China Property Brand Value Study and the 10th China Property Brand Development Forum was held in Beijing during September this year. Leveraging its outstanding edge and strong branding influence, Wuzhou International ranked sixth among the "2013 Top Ten Brand Value of Commercial Property Companies in China" with brand value of RMB1.325 billion. This year marked the first time for the Group to be included in this list.



3/12/2013

Hong Kong Outstanding Enterprises

**Economic Digest**

Economic Digest has been organising the annual Hong Kong Outstanding Enterprises Parade since 2004, and this year marked its 10th anniversary. The award applauded companies for outstanding achievements in developing their business, corporate governance and recognition among shareholders. Wuzhou received the "2013 Hong Kong Outstanding Enterprise Award" this year, and Mr. Chan Sze Hon, our chief financial officer, accepted the prize on behalf of the Company.





HONOURS AND AWARDS 

16/12/2013

Most Promising Commercial Property 2013

**China International Real Estate & Architectural Technology Fair (core organising committee and organising committee – Jilin Division) and China Real Estate Association**

Co-organised by the core organising committee and organising committee (Jilin Division) of China International Real Estate & Architectural Technology Fair (CIHAF) and China Real Estate Association, and conducted by Cheng Shi Wan Bao from Changchun City, winners of CIHAF 3-Top-Awards (Jilin Division), have been announced. Changchun Wuzhou International Plaza, developed by the Group was named the “Most Promising Commercial Property 2013”.



17/12/2013

Top 500 Brand Enterprises in China

**Chinese Entrepreneurs Development Federation and Asia Television Limited**

Wuzhou International and Mr. Shu Cecheng, Chairman of the Group were named as one of the “Top 500 Brand Enterprises in China” and “People of Year in Brand Enterprises” respectively at “2013 China Entrepreneur Development Annual Conference (Hong Kong) cum Award Ceremony of Brand Enterprises in China”, co-organised by Chinese Entrepreneurs Development Federation and Asia Television Limited.



13/1/2014

2013 CAPITAL Leaders of Excellence 2013

**Capital Magazine**

Since 2006, “CAPITAL Magazine” has been organizing “CAPITAL Leaders of Excellence” to honor the successful business leaders in Hong Kong and recognize their tremendous contributions to different business industries, the economy and our society.



## SOCIAL RESPONSIBILITIES

### RELIEF SUPPLIES FOR YUYAO BY OUR HEARTY WAGON

The city of Yuyao in Ningpo, with 830,000 residents, was one of the most severely affected areas by Typhoon Fitow during its rampage across Zhejiang Province. On 13 October 2013, the “Hearty Wagon of Wuzhou”, comprising 5 trucks fully-loaded with relief supplies, left our headquarters in Wuxi for Zhangting, the hardest hit town of Yuyao.

On behalf of the residents of Zhangting, Mr. Song Jianxun, deputy director of the standing committee of the People Representative Committee of Yuyao, and Mr. Shen Shudan, party secretary of Zhangting, accepted the relief supplies and extended their whole-hearted appreciation to Wuzhou International.

Mr. Shen Xin, our vice president, stated that “as a listed enterprise, Wuzhou International has always adhered to our mission of operating ‘Responsible Real Estate and Healthy Commercial Business’ in undertaking social responsibility, actively participating in various community activities and pursuing economic returns and social benefits as an enterprise. Today, as we witness that the life of Yuyao residents are getting back to normal, we sincerely hope that all relief work will go on smoothly hereafter”.



SOCIAL RESPONSIBILITIES **RAMBLING IN THE RED EVENING SUN AND WARMING THE SENIORS' HEARTS – GIVING OUR HEARTY GREETINGS AT THE CHONGAN SENIORS HOME**

To enhance our social responsibility and contribution spirit, on 28 December 2013, under the leadership of Ms. Leng Minyuan, administration and personnel controller of the Group's administration and information centre, a team of 18 volunteers from the Group's administration and information centre, planning and design centre, sales and marketing management centre, investment and development and chief executive office went to the Chongan Seniors Home in Wuxi and donated the much needed supplies to the seniors.

As a social welfare organisation established in 1999, the Chongan Seniors Home in Wuxi has 80 occupants, with the oldest aged at 105. On that day, the volunteers received warm welcome from the occupants who were overwhelmed with joy when sets of insulated under-clothing and boxes of milk were given to them. Close interactions in greeting and listening amongst the volunteers and the seniors saw exciting responses in laughter and tears. Despite being unable to express his appreciation with audible speech, a 105 years' old senior gave a thumbs-up to and wept with emotion upon receiving warm greetings from young visitors. A senior's relative who happened to be present at the time of visit, expressed his heartfelt appreciation to Wuzhou International for arranging such a kind-hearted event.

Other than greeting seniors and donating supplies to them, the volunteers also helped to clean up the premises by removing litters of leaves, branches and garbage, re-lining pots of plants and sweeping and cleaning walkways and passages. Litters were duly removed and taken away by the volunteers with our own garbage bags.

While at the Seniors Home, Ms. Leng reiterated that, as a listed enterprise, Wuzhou International is committed to social welfare activities as its corporate responsibility and has made donations of almost RMB100 million to the society throughout the years. During the current year's flooding at Zhejiang Province, Wuzhou International has donated the relief supplies to Yuyao, the hardest hit township. In view of the requests from Mr. Zhang, the head of the Seniors Home and the revealing gestures of the seniors, Ms. Leng also indicated that we would maintain our concerns for elders by classifying our visits to seniors homes as a permanent programme in order to glorify and advance the Chinese traditional culture of care and respect for elders.



## CHAIRMAN'S STATEMENT



Wuzhou International is planning to engage in logistics business along with our integrated commercial trading platform provided to customers.



**CHAIRMAN'S STATEMENT** 

Dear Shareholders,

On behalf of the Board, I am delighted to present the annual results of Wuzhou International Holdings Limited ("Wuzhou International" or the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

**2013 PERFORMANCE REVIEW**

In 2013, our total revenue and gross profit were approximately RMB4,050 million and RMB1,769 million respectively, representing increases of approximately 79.7% and 47.3%. Net profit attributable to our equity owners increased by 45.8% from RMB700 million in 2012 to RMB1,020 million in 2013. The Board recommended the payment of a final dividend of HK3.5 cents per Share for the year ended 31 December 2013. Final dividend in total for the year ended 31 December 2013 amounted to approximately RMB128,119,000, representing a dividend payout ratio of approximately 30.6% on the core net profit attributable to equity owners (excluding changes in fair value and non-controlling interests, net of deferred taxes).

**GLOBAL ECONOMIC OUTLOOK**

In 2013, upswing of the global economy remained weak with no growth momentum. Growth forecast for developed countries was pessimistic in the wake of various constraints to their economic recovery. As anguished by budget deficit, the U.S. had no other choice but to axe expenditure, the only economic stimulus available was quantitative easing which effectiveness is fading. Comparatively, the eurozone is expected to recover from negative growth this year, but economic development among the eurozone countries is evidently different. As predicted by the European Commission, the economic growth of the European Union will be zero and 1.4% this year and in 2014 respectively. Nevertheless, the economies of developing countries as a whole were better than that of developed countries with significantly

higher growth rate, and difference in aggregate economic volume between developing countries and developed countries continued to shrink. However, development of emerging economies was diverging. In anticipation of curtailing of quantitative easing by the U.S. Federal Reserve, some of the BRICS countries, namely India, Brazil and South Africa, were hit by concentration of capital outflow, popping asset bubbles in those countries and impeding their economic growth materially. Fortunately, economic growth rate of over 7.5% has been maintained in China with strong economic foundation. Not only has ongoing urbanization stimulated domestic consumption, but has been a strong momentum underpinning huge rigid demand for housing. Under a controlled business environment, the rigid demand was a concrete foundation for the development of property market. In spite of the intricate macroeconomic or industrial related policies, the Group was able to achieve satisfactory results.

**SALES PERFORMANCE AND HONORS**

In 2013, the Group achieved contracted sales of RMB5,184 million, representing a significant increase of 87.7% over the previous year and surpassing the annual sales target set by the Group. Aggregate contracted sales area was approximately 682,400 sq.m., representing a year-on-year increase of 105.8%. As at 31 December 2013, our portfolio of property developments consisted of 33 projects in 10 provinces across China. Our contracted sales have involved 26 development projects in 7 provinces, including Jiangsu, Zhejiang, Chongqing, Yunnan, Heilongjiang, Hubei and Shandong. Our brand "Wuzhou International" has been ranked among "2013 Top Ten Brand Value of Commercial Property Companies in China" by, among others, the Development Research Center of the State Council.

CHAIRMAN'S STATEMENT 

The Company was honored with numerous awards and recognitions in 2013. In the 2013 News Conference on Survey on Brand Value of Property Companies (Eastern China) and Summit Forum for Development of Property Market under New Type of Urbanization in Chin held in Zhejiang, China, those property companies on the most valuable brands list have received an award. Wuzhou International has been ranked among "2013 Top Ten Brand Value of Commercial Property Companies in China" in recognition of our outstanding performance in our listing as well as rapid enhancement of our results. This is our first time to be awarded with such honor consequent to our persistence in innovation and development for 9 years. More importantly, we are one of the two commercial property companies in Jiangsu province having been included in the list.

### SOUND INVESTOR COMMUNICATIONS

Corporate transparency and corporate governance are of key importance to the Group. The Group has proactively communicated with investment community in order to facilitate understanding of our business development strategies and growth potentials. We believe that value maximization for the Shareholders could be promoted by good investor relations. The Group is committed to timely and accurate disclosure of information to members of investment community, and has opened up a series of systematic channels for communication, providing our Shareholders, investors and analysts with reliable information regularly. Since our listing in 2013, Wuzhou International has actively participated in dozens of investor road shows held in Singapore, Hong Kong and Shanghai respectively as well as investor forums and conferences held by banks, allowing us to present our internationally unique model of business operation and investment advantages to investors. Over the year, there were ripples across the capital market though, Wuzhou International remained relatively stable in the market and achieved gradual increase in the price of the Share, and these were the results of our efforts in maintaining good investor relations and sound corporate transparency that reflected in value for our Shareholders.

### ESTABLISHMENT OF WIDE RANGE OF FINANCING PIPES FOR ACCESSING CAPITAL MARKETS IN A TIMELY MANNER

Sound financing pipes are crucial for development of a property company. In 2013, we enjoyed a fruitful year in financing as we have been exploring new financing instruments for enhancing our financial flexibility. The completion of listing of Wuzhou International on the Stock Exchange in June 2013 represents a milepost of the Group in accessing international capital markets. Upon the completion, we have adopted other financing instruments in addition to bank loans, our major financing pipe. By fully utilizing the global financing pathway conducive to the Group, we issued US\$100 million senior notes due in five years in September 2013. As a result of our efforts on development and sales as well as effective communication with capital markets, we, successfully, further issued additional senior notes due in five years of US\$100 million in January 2014 with 3 times oversubscription. We believe the ability of rapid access to capital markets allows us to grasp market opportunities.

### QUALITY LAND BANK

Acquisition of prime lands is vital to our rapid growth in the future. In addition to our strong presence in Yangtze River Delta Area, we have expanded our business in various other cities for product development, and often acquired sufficient prime lands. For the whole year of 2013, Wuzhou International, through public tenders, acquired land use rights of 10 parcels of land located in 9 cities from 7 provinces, namely Luoyang City in Henan Province, Yixing City in Jiangsu Province, Yantai City in Shandong Province, Changchun City and Jilin City in Jilin Province and Shenyang City in Liaoning Province. As at 31 December 2013, the total GFA of our completed projects was 2,070,000 sq.m., the total GFA of our projects under development was 2,100,000 sq.m. and the total GFA of our projects planned for future development was 5,050,000 sq.m.. As at 31 December 2013, Wuzhou International has 33 projects in total in 10 provinces of rapid development in PRC, including 17 specialized wholesale markets and 16 multi-functional commercial complexes.

## CHAIRMAN'S STATEMENT

### FUTURE DEVELOPMENT

Huge territory of China provides an opportunity for e-commerce and logistics to develop rapidly. In 2013, e-commerce in China has transformed with platforms, and e-commerce in China developed in a way of coordinating with logistics platform. Convergence of e-commerce and logistic platform will not be limited to business integration, but a complete convergence from strategies, systems to supply chains. Also, logistics will become a key point for capital and investment. Wuzhou International is planning to engage in logistics business along with our integrated commercial trading platform provided to customers. Initially, capital investment for a parcel of land for logistics use located in Zhengzhou, Henan, was made in January 2014 for developing logistics business. In addition, we seek to cooperate with business partners for entering into logistics real estate market in a timely manner. In future, the Company is committed to provide our merchants and customers an effective integrated logistics platform, linking all merchants to establish a nationwide trading wholesale network.

### APPRECIATIONS

Close cooperation and coordination among property industry, goodwill and stakeholders as well as enthusiastic support are crucial to success of an enterprise. We would like to thank our cooperation partners as well as our Shareholders and investors for their constant supports. We hereby express our sincere gratitude to the customers who witness the value and quality of our products. Winning customer confidence is essential to brand building, and is our real value in the market. Last but not least, we would like to show our appreciation to our directors, senior management and employees for their contributions and hard work, providing the Group a driving force for growth and a concrete foundation for expansion. With the help of the parties aforesaid, Wuzhou International achieved satisfactory results in 2013 and laid a concrete foundation for stable development in the future. Their continuous supports will provide us new momentum and confidence in the coming year. At last, I would like to take this opportunity to express my gratitude to our directors for their leadership and to all the staff for their dedication and hard work.

**Wuzhou International Holdings Limited**  
**Shu Cecheng**  
Chairman

19 March 2014

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Create Value  
for the Customers  
Provide a platform  
for the Employees





WUZ 五洲国际广场  
WUZHOU INTERNATIONAL SHOPPINGMALL



五洲国际广场  
WUZHOU INTERNATIONAL SHOPPINGMALL



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year under review, the Group capitalized on business opportunities and recorded a steady growth in corporate development and results. Based on its unique market positioning and development strategies, the specialized wholesale markets and multi-functional commercial complexes of the Group have been recognized by local markets and the business mode was replicated for the market expansion in rapidly-developing provinces and cities, such as Heilongjiang. To fully take advantage of the future rapid growth of the PRC commercial property industry, the Group successfully listed its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Listing Date.



### MARKET REVIEW

In 2013, although the United States restored its economic growth, the global economy was far from optimistic with countries in Europe and emerging markets mired in the financial crisis. China recorded only a 7.9% increase in exports for the year. In order to propel fixed asset investment and domestic demand and achieve steady economic development, the government introduced a series of measures and policies aiming to maintain steady growth, achieve structural change and promote reformation. Nevertheless, during the period under review, the central government continued to implement various austerity policies, including restrictions on home purchase, loans and prices, to strictly control housing prices. Commercial properties were subject to far less government restrictions than residential properties. In addition, with low land costs, strong customer purchasing power and great market demands, commercial properties in cities, especially second and third-tier cities, in the Yangtze River Delta have higher development potential and stronger growth momentum as compared with other regions in China.



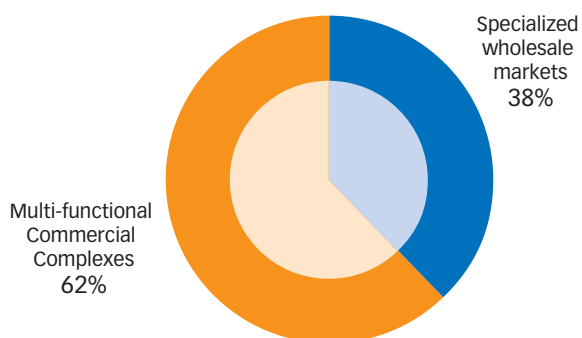
Currently, wholesale markets, including the integrated markets of various products and the specialized markets of specific products, are one of the most effective channels of commodity transaction in China, especially for small cities and towns, and play an important role in economic development.

## BUSINESS REVIEW

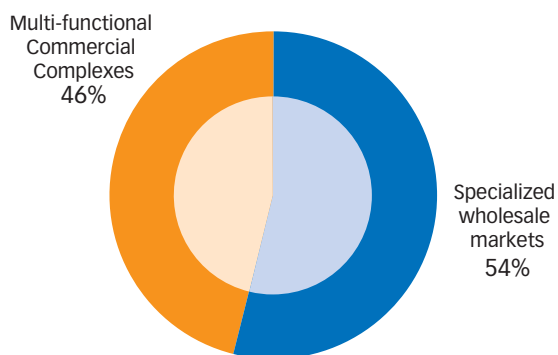
### I. Contracted sales

During the year under review, the Group recorded contracted sales and contracted sales area of approximately RMB5,184 million and approximately 682,000 sq.m., representing increases of 87.7% and 105.8% as compared with the same period of the previous year, respectively. Approximately RMB1,971 million and 371,000 sq.m. were from the sales of the specialized wholesale markets, representing increases of 62.7% and 87.5% as compared with the same period of the previous year, respectively. Approximately RMB3,213 million and 311,000 sq.m. were from the sales of multifunctional commercial complexes, representing increases of 107% and 133% as compared with the same period of the previous year, respectively.

**Percentage of contracted sales amount by categories**



**Percentage of contracted sales area by categories**

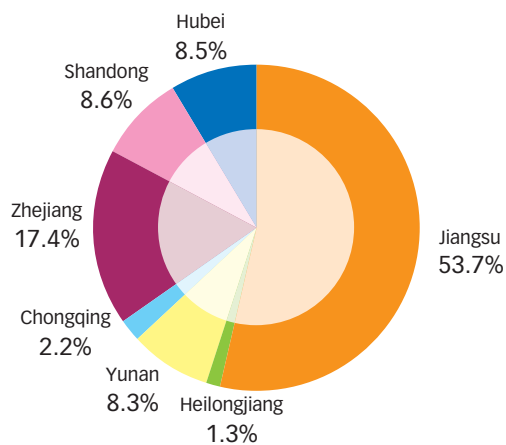


MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

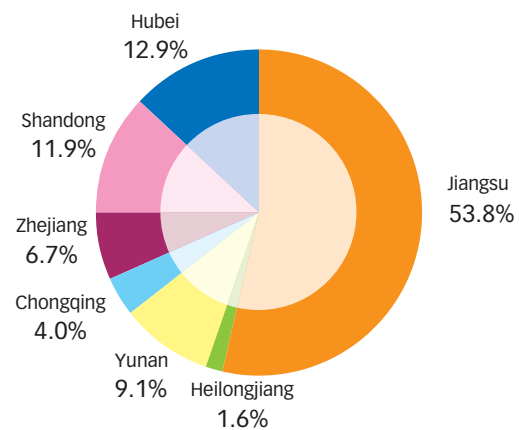
Contracted sales of the Group, by geographical location, were mainly from Jiangsu Province. The contracted sales and contracted sales area were approximately RMB2,782 million and approximately 367,000 sq.m., accounting for 53.7% and 53.8% of the total contracted sales amount and the total contracted sales area, respectively. Attributable to the market expansion strategy of the Group in other rapidly-developing cities, the contracted sales from other provinces and cities increased significantly, resulting in a more balanced income source in terms of geographical locations.

Regions	Contracted sales amount		Contracted sales area	
	RMB million	Percentage (%)	Sq.m.	Percentage (%)
Jiangsu Province	2,782	53.7	367	53.8
Zhejiang Province	902	17.4	46	6.7
Shandong Province	449	8.6	81	11.9
Hubei Province	443	8.5	88	12.9
Yunnan Province	429	8.3	62	9.1
Chongqing Municipality	114	2.2	27	4.0
Heilongjiang Province	65	1.3	11	1.6
Total	5,184	100.0	682	100.0

Percentage of contracted sales amount by regions



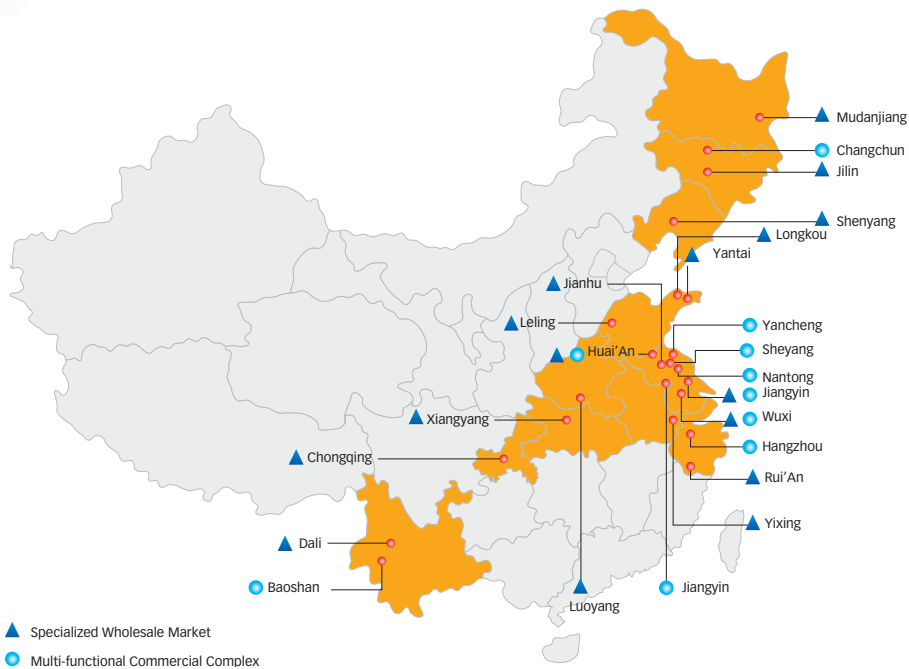
Percentage of contracted sales area by regions





## II. Project development

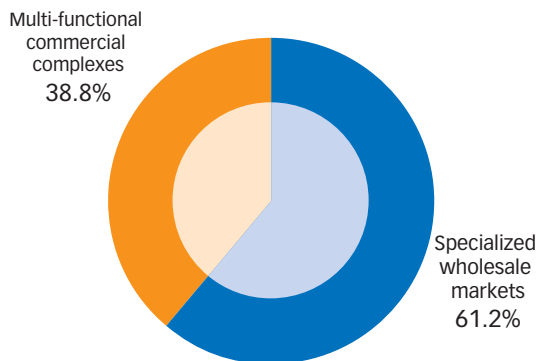
As at 31 December 2013, the Group had 33 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang, Jilin, Henan, Liaoning and Chongqing, including 17 specialized wholesale markets and 16 multi-functional commercial complexes.



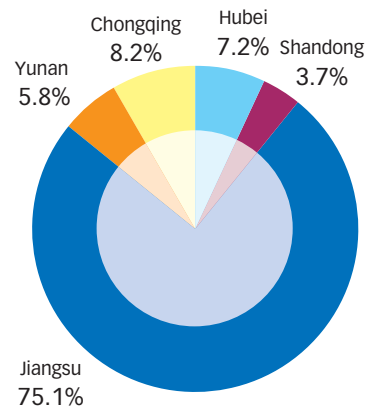
### Completed projects

During the year under review, the Group completed a total of 16 projects or project phases with a total gross floor area ("GFA") of approximately 2,071,000 sq.m., including approximately 1,099,000 sq.m. of GFA sold and delivered and approximately 255,000 sq.m. of GFA held for lease.

Total GFA of completed projects by categories



Total GFA of completed projects by regions



MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

List of completed projects:

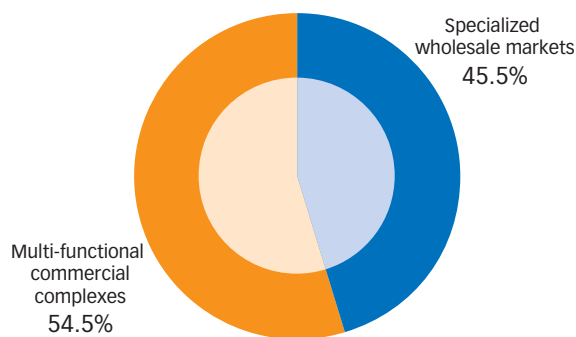
Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
<b>Jiangsu Province</b>									
1.	Wuxi Wuzhou International Ornamental City	Wuxi	Specialized wholesale market	100%	288	259	220	2	37
2.	Wuxi Wuzhou International Industrial Exhibition City	Wuxi	Specialized wholesale market	100%	358	326	289	7	30
3.	Wuxi Wuzhou International Columbus Plaza	Wuxi	Multi-functional commercial complex	64.3%	212	169	105	21	43
4.	Wuxi Wuzhou International Chinese Food Culture Exposition City	Wuxi	Multi-functional commercial complex	51%	50	44	31	3	10
5.	Meicun Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	90%	54	40	17	–	23
6.	Yangjian Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	142	105	65	28	12
7.	Wuxi New District Columbus Plaza	Wuxi	Multi-functional commercial complex	59%	91	71	27	29	15
8.	Luoshe Wuzhou International Columbus Dragon City	Wuxi	Multi-functional commercial complex	100%	52	38	10	13	15
9.	Jianhu Wuzhou International Trade City	Jianhu	Specialized wholesale market	100%	107	105	63	42	–
10.	Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	56	56	26	13	17
11.	Huian Wuzhou International Plaza	Huian	Multi-functional commercial complex	100%	146	109	45	11	53
			Subtotal		1,556	1,322	898	169	255
<b>Yunnan Province</b>									
12.	Dali Wuzhou International Trade City	Dali	Specialized wholesale market	100%	120	119	100	19	–
			Subtotal		120	119	100	19	–
<b>Chongqing Municipality</b>									
13.	Rongchang Wuzhou International Trade City	Chongqing	Specialized wholesale market	94%	170	170	99	71	–
			Subtotal		170	170	99	71	–

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
<b>Shandong Province</b>									
14.	Longkou Wuzhou International Trade City	Longkou	Specialized wholesale market	95%	22	22	21	1	-
15.	Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Specialized wholesale market	95%	55	55	53	2	-
				Subtotal	77	77	74	3	-
<b>Hubei Province</b>									
16.	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Specialized wholesale market	100%	148	148	127	21	-
				Subtotal	148	148	127	21	-
				Total	2,071	1,836	1,298	283	255

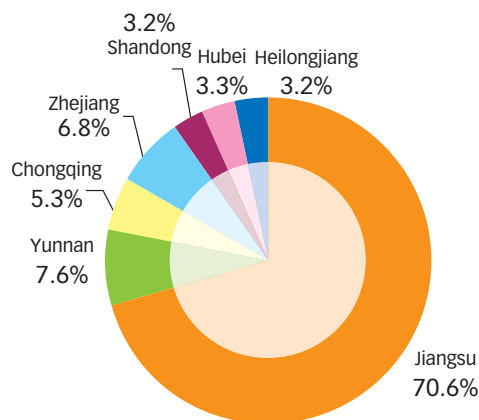
**Projects under development**

As at 31 December 2013, the Group had a total of 19 projects or project phases under development with a total planned GFA of 2,095,000 sq.m., including approximately 319,000 sq.m. of GFA sold and approximately 366,000 sq.m. of GFA held for lease.

**Total GFA of projects under development by categories**



**Total GFA of projects under development by regions**



## List of projects under development

Project name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
<b>Jiangsu Province</b>									
1. Wuxi Wuzhou International Ornamental City Phase IV	Wuxi	Specialized wholesale market	100%	2014	104	81	8	48	25
2. Wuxi Wuzhou International Industrial Exhibition City Phase II Hall C	Wuxi	Specialized wholesale market	100%	2014	82	70	26	2	42
3. Wuxi Wuzhou International Chinese Food Culture Exposition City Phase III	Wuxi	Multi-functional commercial complex	51%	2014	142	115	28	72	15
4. Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	2014	74	60	2	40	18
5. Yixing Wuzhou International Huadong Trade City	Yixing	Specialized wholesale market	100%	2014	66	65	-	65	-
6. Nantong Wuzhou International Plaza	Nantong	Multi-functional commercial complex	51%	2014	365	322	66	250	6
7. Wuzhou International Automobile Exhibition City	Nantong	Specialized wholesale market	75%	2014	235	232	34	198	-
8. Yancheng Wuzhou International Plaza	Yancheng	Multi-functional complex	100%	2014	73	45	-	35	10



## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)	
9. Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional complex	90%	2014	263	216	53	129	34	
10. Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	2014	76	61	14	47	-	
Subtotal					1,480	1,267	231	886	150	
<b>Yunnan Province</b>										
11. Dali Wuzhou International Trade City	Dali	Specialized wholesale market	100%	2014	87	87	-	-	87	
12. Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	80%	2014	72	70	16	27	27	
Subtotal					159	157	16	27	114	
<b>Chongqing Municipality</b>										
13. Rongchang Wuzhou International Trade City	Chongqing	Specialized wholesale market	94%	2014	110	109	2	23	84	
Subtotal					110	109	2	23	84	
<b>Zhejiang Province</b>										
14. Hangzhou Wuzhou International Plaza	Hangzhou	Multi-functional commercial complex	100%	2014	77	60	27	15	18	
15. Ruian Wuzhou International Trade City	Ruian	Specialized wholesale market	100%	2014	65	64	9	55	-	
Subtotal					142	124	36	70	18	

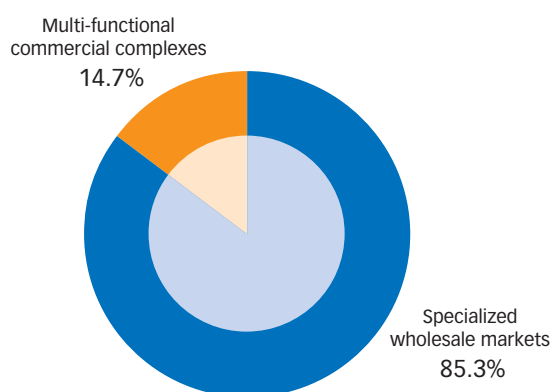
MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

Project name	City	Category	Interests of the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
<b>Shandong Province</b>									
16. Longkou Wuzhou International Trade City	Longkou	Specialized wholesale market	95%	2014	29	29	9	20	-
17. Leling Wuzhou International Exhibition City	Leling	Specialized wholesale market	51%	2014	38	38	10	28	-
Subtotal					67	67	19	48	-
<b>Hubei Province</b>									
18. Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Specialized wholesale market	100%	2014	69	67	11	56	-
Subtotal					69	67	11	56	-
<b>Heilongjiang Province</b>									
19. Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Specialized wholesale market	100%	2014	68	66	4	62	-
Subtotal					68	66	4	62	-
Total					2,095	1,857	319	1,172	366

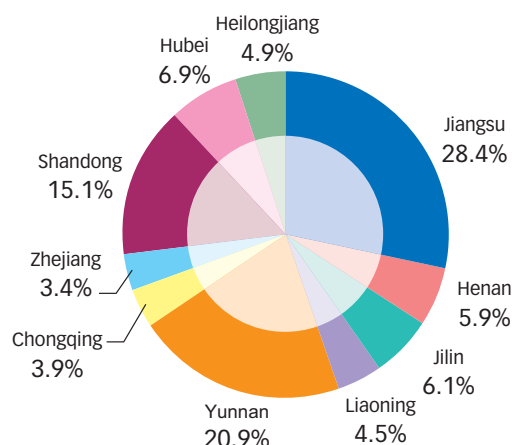
### Projects planned for development

As at 31 December 2013, the Group had a total of 23 projects or project phases planned for development, with a total planned GFA of approximately 5,045,000 sq.m.

**Total planned GFA of projects planned for development by categories**



**Total planned GFA of projects planned for development by provinces and cities**



List of projects planned for future development:

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
<b>Jiangsu Province</b>				
1. Wuxi Wuzhou International Ornamental City Phase V Hall F	Wuxi	Specialized wholesale market	100%	34
2. Wuxi Wuzhou International Industrial Exhibition City Product Exhibition Hall BD Multi-use Building	Wuxi	Specialized wholesale market	100%	239
3. Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	80%	53
4. Huaian Wuzhou International Plaza Phase II	Huaian	Multi-functional commercial complex	100%	91
5. Jianhu Wuzhou International Trade City Phase II	Jianhu	Specialized wholesale market	100%	114
6. Jianhu China Green Light Exposition City	Jianhu	Specialized wholesale market	100%	94
7. Sheyang Wuzhou International Plaza	Sheyang	Multi-functional commercial complex	100%	349

Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
8. Wuzhou International Automobile Exhibition City	Nantong	Specialized wholesale market	75%	134
9. Yixing Wuzhou International Huadong Trade City	Yixing	Specialized wholesale market	100%	211
10. Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	116
			Subtotal	1,435
<b>Yunnan Province</b>				
11. Dali Wuzhou International Trade City Phase III	Dali	Specialized wholesale market	100%	922
12. Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	80%	134
			Subtotal	1,056
<b>Chongqing Municipality</b>				
13. Rongchang Wuzhou International Trade City	Chongqing	Specialized wholesale market	94%	197
			Subtotal	197
<b>Shandong Province</b>				
14. China Longkou Wuzhou International Trade City	Longkou	Specialized wholesale market	95%	255
15. Yantai Wuzhou International Industrial Exhibition City	Yantai	Specialized wholesale market	95%	93
16. Leling Wuzhou International Exhibition City	Leling	Specialized wholesale market	51%	414
			Subtotal	762
<b>Hubei Province</b>				
17. Xiangyang Wuzhou International Industrial Exhibition City (Phase II)	Xiangyang	Specialized wholesale market	100%	350
			Subtotal	350



Project name	City	Category	Interests of the Company	Total GFA ('000 sq.m.)
<b>Zhejiang Province</b>				
18. Ruian Wuzhou International Trade City	Ruian	Specialized wholesale market	100%	171
			Subtotal	171
<b>Heilongjiang Province</b>				
19. Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Specialized wholesale market	100%	244
			Subtotal	244
<b>Jilin Province</b>				
20. Changchun Wuzhou International Plaza	Changchun	Multi-functional commercial complex	100%	237
21. Jilin Wuzhou International Trade City	Jilin	Specialized wholesale market	100%	70
			Subtotal	307
<b>Henan Province</b>				
22. Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Specialized wholesale market	51%	299
			Subtotal	299
<b>Liaoning Province</b>				
23. Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Specialized wholesale market	100%	224
			Subtotal	224
			Total	5,045

### III. Land bank

The Group considers that acquiring ample land bank at reasonable costs is crucial to the long term development and profitability of Wuzhou International. It carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the year under review, the Group strived to consolidate its existing land bank and actively expand and develop into other areas, including Heilongjiang, Jilin Province, Henan Province, Liaoning Province, etc., for more extensive land bank across China.

As of 31 December 2013, the total planned GFA of land bank amounted to approximately 7,877,000 sq.m., including approximately 737,000 sq.m. for completed projects, approximately 2,095,000 sq.m. for projects under development and approximately 5,045,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years. The average GFA costs per square meter amounted to approximately 10% of the average selling price. With lower land costs, the Group can ensure sustainable future development and higher profitability.

As of 31 December 2013, the breakdown of land bank by regions is as follows:

Region	Completed projects (‘000 sq.m.)	Projects under Development (‘000 sq.m.)	Projects planned for future development (‘000 sq.m.)	Total planned GFA of land bank (‘000 sq.m.)
Jiangsu Province	572	1,480	1,435	3,487
Yunnan Province	25	159	1,056	1,240
Shandong Province	13	67	762	842
Hubei Province	38	69	350	457
Chongqing Municipality	89	110	197	396
Zhejiang Province	–	142	171	313
Heilongjiang Province	–	68	244	312
Jilin Province	–	–	307	307
Henan Province	–	–	299	299
Liaoning Province	–	–	224	224
Total	737	2,095	5,045	7,877

### IV. Centralized operation, management and marketing

Most of the purchasers of its retail stores entered into exclusive operation and management agreements with the Group, under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

The Group develops and operates the specialized wholesale markets and multifunctional commercial complexes under the brands of “Wuzhou International” and “Columbus”. In order to unify the brand image of its specialized wholesale markets and multi-functional commercial complexes, its professional planning and marketing team is responsible for formulating the nation-wide promotion strategies and coordinating marketing activities. During the year under review, both the brand effect and visitor flow of its specialized wholesale markets and multi-functional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, asset management, construction, design and operation capability of the Group were highly recognized in the industry. As a result, the brands “Wuzhou International” and “Columbus” were well-received in the places where the Group operates.

## V. Outlook

Having experienced the prosperous development in 2013, our Group will maintain our pace to seek progress in stability. In addition to growth in results, we pay more attention to healthy sustainable development which is time and place sensitive.

The unique business model of the Group plays a vital role for its successful development. Looking forward, the Group will strive to apply its successful business models for its business expansion in other rapidly-developing cities in China. The Group is committed to creating new specialized wholesale markets and developing industrial cities such as Yantai and Shenyang as the core cities of the respective regions. In the long run, its business will continue to be expanded to the mid-west and northeast region as well as the Bohai Rim in China, especially in second-tier provincial capitals including Nanjing, Xi’an and Zhengzhou. The Group will expand its multi-functional commercial complexes to first tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen in the future. It will also make efforts to establish new projects in Hangzhou, Nantong, Yancheng and Xuyi where both economic development and population are on rapid growth track.

Acquisition of prime lands is vital to our rapid growth in the future. In addition to our strong presence in Yangtze River Delta Area, we have expanded our business in various other cities for product development, and often acquired sufficient prime lands. For the whole year of 2013, Wuzhou International, through public tenders, acquired land use rights of 10 parcels of land located in 9 cities from 7 provinces, namely Luoyang City in Henan Province, Yixing City in Jiangsu Province, Yantai City in Shandong Province, Changchun City and Jilin City in Jilin Province and Shenyang City in Liaoning Province. As at 31 December 2013, the total GFA of our completed projects was 2,070,000 sq.m., the total GFA of our projects under development was 2,100,000 sq.m. and the total GFA of our projects planned for future development was 5,050,000 sq.m.. As at 31 December 2013, Wuzhou International has 33 projects in total in 10 provinces of rapid development in PRC, including 17 specialized wholesale markets and 16 multi-functional commercial complexes.

Huge territory of China provides an opportunity for e-commerce and logistics to develop rapidly. In 2013, e-commerce in China has transformed with platforms, and e-commerce in China developed in a way of coordinating with logistics platform. Convergence of e-commerce and logistic platform will not be limited to business integration, but a complete convergence from strategies, systems to supply chains. Also, logistics will become a key point for capital and investment. Wuzhou International is planning to engage in logistics business along with our integrated commercial trading platform provided to customers. Initially, capital investment for a parcel of land for logistics use located in Zhengzhou, Henan, was made for developing logistics business. In addition, we seek to cooperate with business partners for entering into logistics real estate market in a timely manner. In future, the Company is committed to provide our merchants and customers an effective integrated logistics platform, linking all merchants to establish a nationwide trading wholesale network. Furthermore, the Group will capitalize on the opportunities brought about by e-commerce pipes development, and to innovate the Group’s operation model and cooperation model through differential positioning and industry form planning, in order to explore new business opportunities during the urbanization process in China.

Looking forward, the Company will adhere to the values advocated by the Group, “Create value for the customers. Generate wealth for the society”, so as to provide solid guarantee for the sustainable development of the Group and our projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### CORPORATE REORGANIZATION

The Company was incorporated in the Cayman Islands on 22 June 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The companies comprising our Group underwent a reorganization (the “Reorganization”) to rationalize our Group’s structure in preparation for the listing of the Company’s shares on the Stock Exchange. As a result, the Company became the holding company of the Group. Details of the Reorganization are set out in the section headed “History and Reorganization” to the prospectus of the Company issued on 31 May 2013 (the “Prospectus”).

### REVENUE

Our revenue comprises mainly income from the sale of properties, rental income, commercial management service income, property management service income and commissions from concessionaire sales after deduction of allowances for returns and trade discounts.

For the year ended 31 December 2013, turnover of the Group amounted to approximately RMB4,050 million, representing an increase of 79.7% from approximately RMB2,253 million for the corresponding year in 2012. Profit and total comprehensive income for the year attributable to the equity holders of the Company was approximately RMB1,020 million, representing an increase of 45.8% from approximately RMB700 million for the corresponding year in 2012.

#### Sale of Properties

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 82.5% to approximately RMB3,880 million for the year ended 31 December 2013 from approximately RMB2,126 million for the corresponding year in 2012. This increase was due primarily to an increase in total GFA, while offset by the decrease in the average selling price of properties sold to our customers, which was resulted from the entering into third to fourth tier cities.



The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the year of 2013 and 2012.

	For the year ended 31 December 2013			For the year ended 31 December 2012		
	Total Revenue RMB'000	GFA sold Sq.m.	Average Selling Price RMB	Total Revenue RMB'000	GFA sold Sq.m.	Average Selling Price RMB
Xiangyang Wuzhou International Industrial Exhibition City (襄陽五洲國際工業博覽城)	604,395	119,063	5,076	–	–	–
Wuxi Wuzhou International Columbus Plaza (無錫五洲國際哥倫布廣場)	501,038	23,660	21,177	195,323	9,284	21,039
Yancheng Wuzhou International Plaza (鹽城五洲國際廣場)	402,356	25,254	15,933	–	–	–
Rongchang Wuzhou International Trade City (榮昌五洲國際商貿城)	368,714	84,154	4,381	–	–	–
Dali Wuzhou International Trade City (大理五洲國際商貿城)	315,257	61,091	5,161	355,733	58,919	6,038
Jianhu Wuzhou International Trade City (建湖五洲國際商貿城)	295,987	54,430	5,438	–	–	–
Yantai Wuzhou International Industrial Exhibition City (Fushan) (煙台五洲國際工業博覽城 (福山))	257,665	52,160	4,940	–	–	–
Yangjian Wuzhou International Plaza (羊尖五洲國際廣場)	252,360	55,068	4,583	89,996	9,191	9,792
Wuxi Wuzhou International Columbus Plaza (無錫五洲國際哥倫布廣場)	224,899	23,860	9,426	–	–	–
Luoshe Wuzhou International Columbus Dragon City (洛社五洲國際哥倫布六龍城)	219,306	8,972	24,444	–	–	–
Huian Wuzhou International Plaza (淮安五洲國際廣場)	187,025	24,246	7,714	–	–	–
Longkou Wuzhou International Trade City (龍口五洲國際商貿城)	107,673	14,852	7,250	–	–	–
Wuxi Wuzhou International Chinese Food Culture Exposition City (無錫五洲國際中華美食城)	85,372	13,477	6,335	6,819	160	42,745
Wuxi Wuzhou International Industrial Exhibition City (無錫五洲國際工業博覽城)	34,206	5,447	6,280	935,743	124,269	7,530
Meicun Wuzhou International Plaza (梅村五洲國際廣場)	22,360	1,962	11,395	350,910	15,229	23,042
Wuxi Wuzhou International Ornamental City (無錫五洲國際裝飾城)	1,817	207	8,756	191,798	36,098	5,313
<b>Total</b>	<b>3,880,430</b>	<b>567,903</b>	<b>6,833</b>	<b>2,126,322</b>	<b>253,150</b>	<b>8,399</b>

### Rental Income

Rental income generated from rental of investment properties increased by 43.6% to approximately RMB44 million for the year ended 31 December 2013 from approximately RMB31 million for the corresponding year in 2012. The increase was due primarily to the continuing growth of the investment properties.

### Commercial Management Service Income and Property Management Income

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the first three years, which typically commence upon the opening for operation of the building where the property is located, and then 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

Commercial management service income increased by 34.3% to approximately RMB92 million for the year ended 31 December 2013 from approximately RMB68 million for the corresponding year in 2012 while property management income decreased by 14.6% to approximately RMB9 million for the year ended 31 December 2013 from approximately RMB11 million for the corresponding year in 2012. The increase for commercial management service income was due primarily to an increase in the GFA of the properties operated and managed by us, as a result of an increase in sales of our properties, while the decrease in property management income was because the Group was gradually transferring its property management business to other third parties in order to concentrate in the commercial management service.

### Commissions from concessionaire sales

Revenue derived from the commissions from concessionaire sales increased by 64.6% to approximately RMB10 million for the year ended 31 December 2013 from approximately RMB6 million for the corresponding year in 2012, which was resulted from our mature operation.

## GROSS PROFIT AND MARGIN

Gross profit increased by 47.3% to approximately RMB1,769 million for the year ended 31 December 2013 from approximately RMB1,201 million for the corresponding year in 2012, while our gross profit margin decreased to 43.7% for the year ended 31 December 2013 from 53.3% for the corresponding year in 2012. This increase in gross profit was in line with the increase in the total revenue for the year ended 31 December 2013 while the decrease in our gross margin was resulted from the change in product mix, but it remained in a high level.

## OTHER INCOME AND GAIN

Other income and gains increased by 22.3% to approximately RMB31 million for the year ended 31 December 2013 from approximately RMB25 million for the corresponding year in 2012. Other income and gains mainly represented by subsidy income and interest income and certain non-recurring income and gains.

## SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased by 51.3% to approximately RMB352 million for the year ended 31 December 2013 from approximately RMB233 million for the corresponding year in 2012. This increase was due primarily to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in the year of 2013 as compared to that in the corresponding year of 2012.

## ADMINISTRATIVE EXPENSES

Our administrative expenses increased by 60.2% to approximately RMB435 million for the year ended 31 December 2013 from approximately RMB272 million for the corresponding year in 2012. This increase was due primarily to the increase in number of offices and staff cost in new locations due to our expansion and certain expenses incurred resulting from our initial public offering and senior note issuance.

## FINANCE COSTS

Our finance costs increased by 253.2% to approximately RMB89 million for the year ended 31 December 2013 from approximately RMB25 million for the corresponding year in 2012. This increase was due primarily to an increase in bank loans and senior note issuance to finance the business operation and development, which in turn increased the interest expenses, but most of the interest expenses incurred during the year was capitalised.

## INCOME TAX EXPENSES

Our income tax expenses increased by 31.5% to approximately RMB669 million for the year ended 31 December 2013 from approximately RMB509 million for the corresponding year in 2012. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold and recognized in the year of 2013 as compared to that in the same year of 2012.

## PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit and total comprehensive income attributable to owners of the Company increased by 45.8% to approximately RMB1,020 million for the year ended 31 December 2013 from approximately RMB700 million for the corresponding year in 2012. This increase was due primarily to an increase in properties recognised and in the revaluation gain on the appreciation of our investment properties in the year of 2013 as compared to that in the corresponding year of 2012. Our net profit margin maintained at a satisfactory level of 25.2% in the year of 2013 as compared to 31.1% in the corresponding year of 2012.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Position

As at 31 December 2013, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB1,413 million (2012: approximately RMB909 million), representing an increase of 55.4% as compared to that as at 31 December 2012. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2013, the Group's restricted cash was approximately RMB180 million (2012: approximately RMB27 million), representing an increase of 565.7% as compared to that as at 31 December 2012.

### Current Ratio and Gearing Ratio

As at 31 December 2013, the Group has current ratio (being current assets over current liabilities) of approximately 1.18 compared to that of 1.06 as at 31 December 2012. The gearing ratio was 59.8% as at 31 December 2013 compared to that of 90.6% as at 31 December 2012. The gearing ratio was measured by net debt (aggregated bank loans and other borrowings and senior note net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated bank loans and other borrowings and senior note) over total assets ratio continued to be healthy, maintaining at 24.6% (2012: 23.0%) as of 31 December 2013.

### Borrowings and Charges on the Group's Assets

As at 31 December 2013, the Group had an aggregate interest-bearing bank and other borrowings and senior note of approximately RMB3,187 million (2012: approximately RMB2,400 million) and approximately RMB606 million (2012: RMB nil), respectively. Amongst the bank and other borrowings, approximately RMB1,082 million (2012: approximately RMB773 million) will be repayable within 1 year, approximately RMB1,792 million (2012: approximately RMB1,169 million) will be repayable between 2 to 5 years and approximately RMB313 million (2012: approximately RMB458 million) will be repayable after 5 years. The senior notes were repayable between 2 to 5 years.

As at 31 December 2013, a substantial part of the bank and other borrowings were secured by land use rights and properties of the Group. The senior note were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares. The bank and other borrowings were denominated in RMB while the senior note were denominated in U.S. dollar.

### Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior note, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings. During the year ended 31 December 2013, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

### Commitments

As at 31 December 2013, the Group had committed payment for the acquisitions of land use rights and properties under development amounting to approximately RMB183 million (2012: RMB134 million) and approximately RMB1,885 million (2012: RMB1,630 million), respectively.

### Contingent Liabilities

As at 31 December 2013, the Group had provided guarantees amounting to approximately RMB1,003 million (2012: approximately RMB519 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2013 as the default risk is low. The Group had also provided guarantees amounting to approximately RMB35 million and RMB56 million to banks in connection with facilities granted to third parties and a related company, respectively, as at 31 December 2012. There was no such guarantees as at 31 December 2013.

### Employees and Remuneration Policies

As at 31 December 2013, the Group had approximately 3,132 employees, of which 1,322 employees involved in the property development sector and 1,810 in the property operation services sector. Total staff costs, including directors' emoluments, for the year ended 31 December 2013 amounted to approximately RMB214 million (2012: approximately RMB113 million). Remuneration is determined by reference to their performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme which became effective on 27 May 2013. In September 2013, the Group has granted share options to subscribe 93,119,611 shares of the Company in conformity with the share option scheme to some of the directors and employees of the Group, at an exercise price of HK\$1.27 per share. 6,500,233 share options has lapsed during the year. Up to 31 December 2013, the outstanding share options were 86,619,378.

### Use of Net Proceeds from the Company's Initial Public Offering

The Company was listed on the Stock Exchange on 13 June 2013 (the "Listing Date"). The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the listing of the Company after the exercise of the over-allotment option) amounted to approximately HK\$1,460 million including the partial exercise of over-allotment option in 5 July 2013, which are intended to be applied in compliance with the intended use of proceeds set out in the section headed "Future plans and use of proceeds" contained in the Prospectus.



# DIRECTORS' PROFILE



## EXECUTIVE DIRECTORS

**Mr. Shu Cecheng** (舒策城), aged 45, is our chairman. Mr. Shu was appointed as our Director on 22 June 2010 and was re-designated as an executive Director on 14 November 2012. He is the brother of Mr. Shu Cewan, our chief executive officer, Mr. Shu Ceyuan, our executive Director and Mr. Shu Cezhang, our Group's head of operations. Mr. Shu established the business of our Group in December 2004 and has been primarily responsible for the overall business, financial and strategic planning of our Group. Mr. Shu is also responsible for overall development of our Group's strategic direction and corporate policies and plays an active role in the development, maintenance and strengthening of client relations. Mr. Shu has over nine years of experience in the real estate development industry and he has been with our Group since December 2004. He has also been the executive director of certain of our Group companies. Throughout the years, Mr. Shu has held various positions in many professional organizations. For instance, Mr. Shu was appointed as the chairman of the Council of China SCMALL Academy in October 2009 and has been the executive vice president of Wuxi Wenzhou Chamber of Commerce since November 2011. Mr. Shu has also been appointed as the committee member of the Wuxi Committee of the Chinese People's Political Consultative Conference since June 2012, and the executive director of the fourth Wuxi Charity Federation since May 2011. In addition, Mr. Shu is currently the chairman of the Sixth Council of Wuxi Market Association, the member of the Eleventh executive committee of Wuxi Association of Industry and Commerce and the chairman of Wuxi Chamber of Commerce and the vice chairman of the China Economic and Trade Promotion Association.

Mr. Shu has also received many awards acknowledging his contributions and accomplishments in the area of real estate development. For instance, in 2013, Mr. Shu was named "People of the Year in Brand Enterprises in China" by the Chinese Entrepreneurs Development Federation, "2013 Pioneer in Chinese Market" by China General Chamber of Commerce and "Person of the China Brand Year Award" by the organizing committee of Award Ceremony of Brand Enterprises in China.

Mr. Shu has obtained a master of business administration at the Victoria University Switzerland in December 2012 after 3 years of part-time study.

**Mr. Shu Cewan** (舒策丸), aged 43, is our chief executive officer. Mr. Shu was appointed as our Director on 14 November 2012. He is the brother of Shu Cecheng, our chairman, Mr. Shu Ceyuan, our executive Director and Mr. Shu Cezhang, our Group's head of operations. Mr. Shu is closely involved in our operations and oversees all the key aspects of our operations and business, including the planning and implementation of our projects. Mr. Shu has over nine years of experience in the real estate development industry, and he has been with our Group since December 2004. Mr. Shu was the general manager and vice-president of certain of our Group companies. Since joining our Group, Mr. Shu has been responsible for the overall day-to-day management of these Group companies, particularly in the aspects of operation, administration and finance.

Mr. Shu was recognized as the 2010 Chinese Commercial Real Estate Driving Force Figure by the Organizing Committee of the Fifth China Commercial Real Estate Annual Conference in May 2010. In March 2011, Mr. Shu was awarded The Most Respected Private Enterprise Entrepreneur by, among others, China Enterprise Rating Association and Council for the Promotion of International Cooperation and Development of Chinese Private Enterprise. Mr. Shu was later awarded the Chinese Influential Person by China Commercial Real Estate Alliance Conference in November 2011. Mr. Shu has also been appointed as the vice chairman of Wuxi Wenzhou Chamber of Commerce since 2011.

DIRECTORS' PROFILE 

Mr. Shu graduated from Jiangnan University with a diploma in business management in July 2011 by way of taking online courses. Mr. Shu has obtained a master of business administration at the Victoria University Switzerland in December 2012 after 3 years of part-time study.

**Mr. Shu Ceyuan** (舒策員), aged 40, was appointed as our executive Director on 14 November 2012. He is the brother of Shu Cecheng, our chairman, Mr. Shu Cewan, our chief executive officer and Mr. Shu Cezhang, our Group's head of operations. Mr. Shu has over nine years of experience in the real estate development industry. In particular, Mr. Shu is familiar with the area of property construction and plays a vital role in the planning and controlling processes for our construction works. Mr. Shu has been with our Group since March 2004 and has been the vice president of certain of our Group companies, primarily in charge of its planning and design center, project management center and cost-control center.

Mr. Shu has obtained a master of business administration at the Victoria University Switzerland in December 2012 after 3 years of part-time study.

**Ms. Wu Xiaowu** (吳曉武), aged 47, was appointed as our executive Director on 14 November 2012. Ms. Wu has over 25 years of experience in financial management. Ms. Wu joined our Group in 2009 and was appointed as the chief financial officer in 2010, mainly responsible for overseeing our Group's financial matters, such as management reporting, group budgeting and forecasting as well as internal control and risk management. Prior to joining our Group, Ms. Wu was the director and chief financial officer of Wuxi Huadong Cocoa Food Co., Ltd. from 2007 to 2009 and was in charge of the company's financial matters. Between 2001 and 2007, Ms. Wu served as the chief financial officer of Wuxi Taian Automation Co., Ltd. and was in charge of overall financial management of the company. Prior to that, from 1988 to 2001, Ms. Wu was the head of the financial department of Wuxi Zhongya Wool Spinning and Printing Co., Ltd., and was responsible for the management of the company's financial matters.

Ms. Wu graduated from Jiangsu University with a diploma in accounting in July 2003. Ms. Wu was qualified as a senior accountant by the Personnel Department of Jiangsu Province in October 2007 and later accredited as senior accountant by the International Profession Certification Association in November 2011. Ms. Wu has obtained a master of business administration at the Victoria University Switzerland in December 2012 after 3 years of part-time study.

**Mr. Zhao Lidong** (趙立東), aged 42, was appointed as our executive Director on 14 November 2012. Mr. Zhao has over 14 years of experience in the property development industry. In particular, Mr. Zhao is familiar with the area of property construction and supervises our executive Director, Mr. Shu Ceyuan, in the planning and controlling for the construction of our projects. Mr. Zhao joined our Group in November 2011, and was responsible in overseeing our planning and design center, project management center, cost-control center and our Group's commercial management subsidiaries.

Between 2003 and 2011, Mr. Zhao held various positions in Dalian Wanda Group Co., Ltd., including serving as the engineer of Dalian Wanda Group Commercial Property Management Co., Ltd., the deputy general manager of Wuhuan Wanda Group Plaza Commercial Management Co., Ltd. and Tianjin Wanda Plaza Commercial Management Co., Ltd., and as the general manager of property management department, construction department and preparatory department of Wanda Commercial Management Co., Ltd. His scope of responsibilities included project management and operational management.

## DIRECTORS' PROFILE

Prior to that, from 1999 to 2003, Mr. Zhao was the project director of Dalian Commercial Construction Supervision Company, responsible for overseeing different construction projects. Between 1996 and 1999, Mr. Zhao worked at Dalian Tariff-free Zone Wote International Commerce Co., Ltd. as the manager of the engineering department, mainly responsible for the construction project of water supply systems. From 1992 to 1996, Mr. Zhao worked at Dalian Power Station which is now known as Dalian Power Co., Ltd. as an engineer and technical specialist, primarily responsible for the installation of electricity and heating systems.

Mr. Zhao graduated from Dalian University in July 1992 with a diploma in thermal power engineering. Mr. Zhao later obtained a bachelor's degree from Dalian University of Technology in July 1999, majoring in computer applications. Mr. Zhao was qualified as a heating and ventilation engineer in November 2000.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Song Ming** (宋敏), aged 52, was appointed as our independent non-executive Director on 18 May 2013. Dr. Song has over 22 years' experience in the research of bank regulation and management, financial market, derivatives and macroeconomics. Dr. Song is currently the director of the department of finance and a professor at the school of economics at Peking University. Dr. Song was employed by the school of economics and finance of the University of Hong Kong since 1997 and is currently a professor at the school. Between 1991 and 1997, Dr. Song was the associate professor and assistant professor at the department of economics, Cleveland State University. In addition, Dr. Song is currently the director of Centre for China Financial Research and the associate director of Institute for China and Global Development at the University of Hong Kong. Dr. Song has been heavily involved in various academic conferences, research and consultation projects.

Dr. Song has been appointed as an independent non-executive director of the United Laboratories International Holdings Limited (stock code: 3933) and Guotai Junan International Holdings Limited (stock code: 1788) since 2007 and 2010 respectively.

Dr. Song is currently the vice president of the Chinese Financial Association of Hong Kong. Dr. Song has also been involved in different advisory committees of the Hong Kong Government. Dr. Song is a member of the Advisory Committee on Human Resources Development in the Financial Services Sector in Hong Kong.

Dr. Song graduated from Zhejiang University in July 1982 with a bachelor's degree in applied mathematics. Dr. Song later obtained his master of applied mathematics from Huazhong Institute of Technology, currently known as Huazhong University of Science and Technology, in July 1985. Dr. Song was awarded a doctorate degree by Ohio State University in June 1991.

**Mr. Lo Kwong Shun Wilson** (羅廣信), aged 40, was appointed as our independent non-executive Director on 18 May 2013. He has more than 12 years' experience in investment banking and advising on corporate finance and 3 years' experience in accounting and auditing. Mr. Lo has been working at Guotai Junan Capital Limited since 2002 and is currently the managing director, where he has been involved in various listing and restructuring transactions. Prior to that, from 1999 to 2002, he worked at Kingsway Capital Limited and BOCI Asia Limited, responsible for handling corporate finance assignments and assisting the analysis of various proposed listing projects while working alongside other professionals. Between 1996 and 1999, Mr. Lo worked at KPMG and was responsible for the audit of companies of various industry sectors. Mr. Lo has been independent non-executive directors of Kingdom Holdings Limited (stock code: 528), Raymond Industrial Limited (stock code: 229) and Huiyin Household Appliances (Holdings) Co., Ltd. (stock code: 1280) since 2010, 2013 and 2013, respectively.

DIRECTORS' PROFILE 

Mr. Lo has been a member of the American Institute of Certified Public Accountants since December 1999 and a member of the Hong Kong Institute of Certified Public Accountant since September 2005. Mr. Lo has been a chartered financial analyst registered with the Association for Investment Management and Research since September 2001. Mr. Lo obtained his bachelor degree in commerce from University of British Columbia in May 1995.

**Prof. Shu Guoying** (舒國澧), aged 53, was appointed as our independent non-executive Director on 18 May 2013. He has more than 25 years' experience in the PRC law, particularly in the teaching of jurisprudence and legal methodology.

Prof. Shu has held various teaching positions in the China University of Political Science and Law ("CUPL") since 1987, where he first started as a teaching assistant and was later promoted to lecturer, associate professor and professor in 1988, 1994 and 2001 respectively. Prof. Shu has also been a member of the Academic Committee of CUPL since 2001. In addition, from 2006 to 2008, Prof. Shu was a part-time professor of China Foreign Affairs University and has held positions in many professional organizations. For instance, Prof. Shu has been a member of the proposition committee of the Chinese National Judicial Examination between 2002 and 2005 and a member of the First Legislative and Legal Expert Committee of the Beijing People's Municipal Government since 2009. Throughout his professional career in the legal academia, Prof. Shu has published numerous books and journal articles in the PRC.

Prof. Shu graduated from CUPL with a bachelor's degree in law in July 1983, and later with a master's degree in law in July 1986.

## SENIOR MANAGEMENT'S PROFILE

**Mr. Zhu Aiming** (朱愛明), age 47, is our Group's head of development. Mr. Zhu joined our Group in 2007 as the deputy general manager, and worked as the general manager since 2010, of Wuxi Zhongnan Property Investment Co., Ltd and was responsible for project management, coordinating with external parties and obtaining governmental approvals for various construction projects. Prior to joining our Group, from 2005 to 2007, Mr. Zhu worked as the deputy general manager of Wuxishi Xiaoying Environmental Technology Co., Ltd., where he helped establish the management system, facilitated and supervised work progress, and was in charge of business development and assessment plans. Prior to that, between 2004 and 2005, Mr. Zhu was the general manager of Wuxi Fengshuilong International Property Co., Ltd. where he was involved in the implementation of sales targets, supervision of project planning and operation management, and budgeting and coordination between internal and external working teams. Between 2003 and 2004, Mr. Zhu was the logistics manager of Shenzhen Oriental English College and was in charge of logistics management and public relations. From 1995 to 2002, Mr. Zhu worked at Qinghai Securities Co., Ltd. Shenzhen headquarter as the administrative officer, and was primarily responsible for supervising work process, implementing internal management plans and developing public relations. Mr. Zhu was the chief logistics officer of Tuboscope Far East Pte., Ltd. from 1992 to 1994 and was responsible for supervising the company's daily logistics and its management system.

Mr. Zhu graduated from Yancheng Institute of Technology in June 1984 with a diploma in urban construction and management. In April 2010, Mr. Zhu was qualified as a senior strategist by National Talent Service Centre under the Ministry of Human Resources.

**Mr. Shu Cezhang** (舒策張), age 35, is our Group's head of operations. Mr. Shu joined our Group in 2005 and has held various positions including the deputy general manager of our Group's commercial operation center and the general manager of our Group's commercial management companies, where he has been primarily involved in their overall administration and operations. Mr. Shu is the brother of Shu Cecheng, our chairman, Mr. Shu Cewan, our chief executive officer and Mr. Shu Ceyuan, our executive Director.

Mr. Shu is currently the director of certain of our Group companies. He graduated from California American University in January 2013 with an external degree of MBA. Mr. Shu was awarded the 2012 China Commercial Property New Talent Award by the Organizing Committee of the China Commercial Property Fair in October 2012.

**Mr. Shen Xin** (沈欣), aged 44, is our Group's head of engineering. Mr. Shen was the vice president of certain of our Group companies, and was responsible for the audit center and the cost control center. Prior to joining our Group, from 2000 to 2012, Mr. Shen held managerial positions at a number of real estate development companies in the PRC. Between 1991 and 2000, Mr. Shen worked as a designer in China Architecture Dongnan Design Institute, which is now known as China Architecture Shanghai Design Institute Co., Ltd., where he was mainly responsible for structural design, contract and operation management.

Mr. Shen graduated from Tongji University in December 1997 with a bachelor's degree in engineering by way of self-study, majoring in industrial and civil construction. He later earned his second bachelor's degree in management from Tongji University in June 2001 by way of self-study, majoring in construction management. Mr. Shen was qualified as an engineer in December 1998 by China Architecture and Construction Co. and China Architecture Dongnan Design Institute, and later as a class 1 registered structural engineer in January 1999 by the National Administration Board of Engineering Registration (Structural) PRC).



SENIOR MANAGEMENT'S PROFILE 

**Mr. Zhang Wentao** (張文韜), aged 39, is our Group's vice president and responsible for planning and marketing. Mr. Zhang joined our Group in June 2013 and is primarily responsible for marketing related work. Prior to joining our Group, Mr. Zhang served as a deputy marketing director at Dalian Wanda Commercial Properties Co., Ltd. from 2011 to 2013, where he was primarily involved in marketing and promotions in the Yangtze River Delta area. From 2009 to 2011, Mr. Zhang was a marketing manager in Chengdu at Dowell Real Estate, a subsidiary of Chongqing Doyen Holdings Co., Ltd. and was engaged in investment, project planning and marketing. From 2004 to 2009, Mr. Zhang was a marketing director at Beijing Xin Ling Yu Real Estate Development Co., Ltd. where he focused on marketing and market research. Mr. Zhang obtained a bachelor's degree in marketing from Renmin University of China in July 1996.

**Mr. Chan Sze Hon** (陳思翰), ACCA, CPA, aged 40, is our Group's chief financial officer and company secretary. Mr. Chan joined our Group in 2012 and has been responsible for supervising the financial reporting, corporate finance, treasury, tax and other finance related matters of our Group. Mr. Chan has over 18 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over eight years. Prior to joining our Group, from 2009 to 2012, Mr. Chan has been an executive director, company secretary and chief financial officer of Fantasia Holdings Group Co., Limited (stock code: 1777) and was mainly responsible for the day-to-day financial management and company secretarial matters of the company. Mr. Chan was an executive director of Greater China Holdings Limited (stock code: 431) from 2005 to 2008, and later as a non-executive director since 2008. Mr. Chan was the independent non-executive director of each of BLU SPA Holdings Limited, currently known as EDS Wellness Holdings Limited (stock code: 8176) and China Mining Resources Group Limited (stock code: 340) from 2007 to 2012 and 2007 to 2011, respectively. Prior to that, Mr. Chan had worked at Deloitte Touche Tohmatsu for over 8 years. Mr. Chan also served as an independent non-executive director of ERA Information & Entertainment Limited, currently known as ERA Mining Machinery Limited, a company whose shares were listed on the Stock Exchange and delisted in 2012, from 2007 to 2012.

Mr. Chan graduated from City University of Hong Kong in 1995 with a bachelor's degree in accountancy. He later obtained a master's degree in corporate finance from the Hong Kong Polytechnic University in 2007. Mr. Chan has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 1999 and a fellow member of the Association of Chartered Certified Accountants since October 2003.

**Mr. Shen Xiaowei** (沈曉偉), aged 37, is our Group's financial controller. Mr. Shen joined our Group in 2011 as the deputy director of the financial management center and fund management center. Prior to joining our Group, Mr. Shen served as a deputy director of the business division of Wuxi Zhongxin Tax Agency Co., Ltd. from 2008 to 2010 and was responsible for the tax auditing and planning, team management and external coordination within the real estate development industry. Between 1998 and 2007, Mr. Shen was the auditor of Wuxi Zhongxin Accountants Co., Ltd. and was responsible for capital verification, financial auditing and tax auditing.

Mr. Shen obtained a diploma in accounting from Nanjing Audit University in July 1998. Mr. Shen was qualified as a registered tax agent by the Ministry of Personnel of the People's Republic of China and State Administration of Taxation in February 2005. Mr. Shen was also qualified as certified public accountants in China by the Chinese Institute of Certified Public Accountants in February 2005. Mr. Shen has been appointed as a member of the tax advisory group of Wuxi Construction Industry Taxpayers in 2009.

## SENIOR MANAGEMENT'S PROFILE

**Mr. Zeng Jiamu** (曾家畝), aged 38, is our Group's head of administration. Mr. Zeng joined our Group in 2008 and has been in charge of the general management of several of our Group companies. Mr. Zeng has been the executive director and deputy general manager of certain of our Group companies, and has been responsible for the day-to-day management.

Mr. Zeng was qualified by China National Center for Human Resources and Research Center for Professional Manager as a senior manager in 2008. Mr. Zeng is currently pursuing a diploma in business administration at the Yancheng Broadcast and Television University Tinghu Campus by way of long-distance learning.

**Ms. Cai Qiaoling**, aged 32, is our Group's head of human resources. Ms. Cai joined our Group as a secretary of the chairman in 2007, and was mainly responsible for handling legal matters and assisting the chairman in day-to-day matters. Prior to joining our Group, from 2005 to 2006, Ms. Cai worked as an assistant in Shanghai Jinxiao Law Firm where she assisted lawyers in managing and filing documents.

Ms. Cai graduated from East China College of Political Science and Law, which is currently known as East China University of Political Science and Law, in June 2004 with a diploma in law by way of self-study. Ms. Cai was certified as a top-level economic engineer by Accreditation Center for National Vocational Qualification Examination ("NVQE") in November 2008. Later in January 2009, Ms. Cai was certified by NVQE as a top-level tax strategist.

## COMPANY SECRETARY

Mr. Chan Sze Hon is our company secretary. For more information on the biographical details of Mr. Chan, please refer to the section headed "Senior Management's Profile".

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 21 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 66.

## DIVIDENDS DISTRIBUTION

### Closure of Register of Members

The Directors recommend the declaration of a final dividend at the rate of HK3.5 cents per share payable to all persons registered as holders of shares on 28 May 2014. The aggregate amount shall be paid out of the Company's share premium account. The Register of Members of the Company will be closed for the following periods:

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Monday, 19 May 2014 ("AGM"), the register of members of the Company will be closed on Tuesday, 13 May 2014 to Monday, 19 May 2014, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch 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 4:30 p.m. on Monday, 12 May 2014.
- (b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed on Friday, 23 May 2014 to Wednesday, 28 May 2014, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with Company's Hong Kong branch 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 4:30 p.m. on Thursday, 22 May 2014.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 164 of this annual report.

## SHARE CAPITAL AND SHARE OPTIONS

Details of change during the year in the share capital and share options of the Company are set out in note 32 and note 34, respectively, to the consolidated financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2013 amounted to RMB4,754,000 (2012: RMB2,305,000)

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 14 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### RESERVES

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2013 are set out in the consolidated statement of changes in equity on page 69 and note 35 to the consolidated financial statements.

Distributable reserves of the Company as at 31 December 2013, calculated under the Cayman Islands Companies Law, amounted to RMB1,017,880,000 (2012: nil) representing share premium of RMB1,076,161,000, setting off by accumulated losses of RMB58,281,000.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

#### Executive directors:

Mr. Shu Cecheng (Chairman)  
Mr. Shu Cewan (Chief Executive Officer)  
Mr. Shu Ceyuan  
Ms. Wu Xiaowu  
Mr. Zhao Lidong

#### Independent non-executive directors:

Dr. Song Ming  
Mr. Lo Kwong Shun Wilson  
Prof. Shu Guoying

In accordance with the provisions of the Company's articles of association, Mr. Shu Cecheng, Mr. Shu Cewan and Mr. Shu Ceyuan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual meeting of the Company. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates and the notice of annual general meeting will be sent to Shareholders of the Company.

The independent non-executive Directors are appointed for a period of 3 years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 18 May 2013. The service contract may not be terminated in accordance with the provisions of such service contract or by either party giving to the other not less than three months prior notice in writing after the first year of the Listing.

Each of the independent non-executive Directors is appointed for initial term of three years commencing from 18 May 2013.

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION SHARES

As of 31 December 2013, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### (i) Long positions in the Shares and underlying Shares

Name of Director/ Chief Executive	Long/Short position	Nature of interests	Number of issued ordinary shares held	Interest in underlying shares	Approximate percentage of shareholding
Mr. Shu Cecheng	Long position	Interest of controlled corporation <sup>(1)</sup>	3,387,940,295	–	72.77%
Mr. Shu Cewan	Long position	Interest of controlled corporation <sup>(1)</sup>	3,387,940,295	–	72.77%
	Long position	Personal	–	3,000,000 <sup>(5)</sup>	0.06%
Mr. Shu Ceyuan	Long position	Interest of controlled corporation <sup>(2)</sup>	8,384,297	–	0.18%
	Long position	Personal	–	2,000,000 <sup>(5)</sup>	0.04%
Ms. Wu Xiaowu	Long position	Interest of controlled corporation <sup>(3)</sup>	8,384,297	–	0.18%
	Long position	Personal	–	2,000,000 <sup>(5)</sup>	0.04%
Mr. Zhao Lidong	Long position	Interest of controlled corporation <sup>(4)</sup>	3,832,821	–	0.08%
	Long position	Personal	–	2,600,000 <sup>(5)</sup>	0.06%



## REPORT OF THE DIRECTORS

Name of Director/ Chief Executive	Long/Short position	Nature of interests	Number of issued ordinary shares held	Interest in underlying shares	Approximate percentage of shareholding
Dr. Song Ming	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%
Mr. Lo Kwong Shun Wilson	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%
Prof. Shu Guoying	Long position	Personal	–	500,000 <sup>(5)</sup>	0.01%
Mr. Chan Sze Hon	Long position	Personal	–	1,500,000 <sup>(5)</sup>	0.03%

## Notes:

- (1) Boom Win Holdings Limited ("Boom Win") is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan and Mr. Shu Cecheng and Mr. Shu Cewan are deemed to be interested in the shares of the Company held by Boom Win for the purpose of Part XV of the SFO.
- (2) Dream Chaser Holdings Limited ("Dream Chaser") is wholly owned by Mr. Shu Ceyuan and Mr. Shu Ceyuan is deemed to be interested in the shares of the Company held by Dream Chaser for the purpose of Part XV of the SFO.
- (3) Starry Horizon Holdings Limited ("Starry Horizon") is wholly owned by Ms. Wu Xiaowu and Ms. Wu Xiaowu is deemed to be interested in the shares of the Company held by Starry Horizon for the purpose of Part XV of the SFO.
- (4) Mastery Ventures Holdings Limited ("Mastery Ventures") is wholly owned by Mr. Zhao Lidong and Mr. Zhao Lidong is deemed to be interested in the shares of the Company held by Mastery Ventures for the purpose of Part XV of the SFO.
- (5) The relevant Director/Chief Executive was granted options to subscribe for such number of Shares under Scheme (as defined under the sub-section headed "Share Option Scheme" in this section) on 24 September 2013.

## (ii) Long positions in Association Corporation

Name of Director	Nature of interest	Name of associated corporation	No. of shares or debentures	Description of shares or debentures	Percentage of that associated corporation's issued share capital
Mr. Shu Cecheng	Corporate interest	Boom Win	30,000 shares	Par value of US\$1.00	60%
Mr. Shu Cewan	Corporate interest	Boom Win	20,000 shares	Par value of US\$1.00	40%
Mr. Shu Ceyuan	Corporate interest	Dream Chaser	1 share	Par value of US\$1.00	100%
Ms. Wu Xiaowu	Corporate interest	Starry Horizon	1 share	Par value of US\$1.00	100%
Mr. Zhao Lidong	Corporate interest	Mastery Ventures	1 share	Par value of US\$1.00	100%

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which they were taken or deemed or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS 

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) which became effective on 27 May 2013 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include (i) any employee (whether full time or part time) of the Company, its subsidiaries or any entity in which the Group holds any equity interest (the “Invested Entity”), including any executive Director of the Company, its subsidiaries or Invested Entity; (ii) any non-executive Director (including independent non-executive Director) of the Company, its subsidiaries or any Invested Entity; or (iii) any senior management of our Company, its subsidiaries or Invested Entity, who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 6 years from the date of its adoption.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company’s shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to each eligible participant in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company’s shareholders and with such participants and his associates abstaining from voting. Options granted to a connected person of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK\$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 15 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK\$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 6 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange’s daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

As at the date of this report, the total number of Shares available for issue under the Scheme is 456,290,191 Shares, representing 10% of the total number of Shares in issue immediately following completion of the Global Offering and 9.80% as at the date of this report.

## REPORT OF THE DIRECTORS

The summary below set out the details of options granted as at 31 December 2013 pursuant to the Scheme.

Name	Date of grant	Exercise price HK\$	Closing price of the Shares on the date of grant HK\$	Balance as at 1 January 2013	Grant during the year	Number of share option		Balance as at 31 December 2013
						Exercisable/ exercised during the year	Lapsed during the year	
Mr. Shu Cewan	24 September 2013	1.270	1.270	-	3,000,000	-	-	3,000,000 <sup>note</sup>
Mr. Shu Ceyuan	24 September 2013	1.270	1.270	-	2,000,000	-	-	2,000,000 <sup>note</sup>
Ms. Wu Xiaowu	24 September 2013	1.270	1.270	-	2,000,000	-	-	2,000,000 <sup>note</sup>
Mr. Zhao Lidong	24 September 2013	1.270	1.270	-	2,600,000	-	-	2,600,000 <sup>note</sup>
Dr. Song Ming	24 September 2013	1.270	1.270	-	500,000	-	-	500,000 <sup>note</sup>
Mr. Lo Kwong Shun Wilson	24 September 2013	1.270	1.270	-	500,000	-	-	500,000 <sup>note</sup>
Prof. Shu Guoying	24 September 2013	1.270	1.270	-	500,000	-	-	500,000 <sup>note</sup>
Mr. Chan Sze Hon	24 September 2013	1.270	1.270	-	1,500,000	-	-	1,500,000 <sup>note</sup>
Other employees of the Group	24 September 2013	1.270	1.270	-	80,519,611	-	(6,500,233)	74,019,378 <sup>note</sup>
Total				-	93,119,611	-	(6,500,233)	86,619,378

Note:

The Share Options are exercisable during the following periods:

- up to 30% of the Share Options granted to each Grantee at any time after the expiration of 12 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board; and
- up to 30% of the Share Options granted to each Grantee at any time after the expiration of 24 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board; and
- up to 40% of the Share Options granted to each Grantee at any time after the expiration of 36 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board.

## SENIOR NOTES

On 26 September 2013, the Company issued senior notes due 2018 ("Senior Notes due 2018") in the principal amount of US\$100 million at a coupon rate of 13.75% per annum, for the purpose of funding the then and new property projects (including construction cost and land premium) and general corporate purposes.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the period from the Listing Date to 31 December 2013.

## REPORT OF THE DIRECTORS

**DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS**

No significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**MANAGEMENT CONTRACT**

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

**SUBSTANTIAL SHAREHOLDERS**

As of 31 December 2013, so far as the Directors or chief executives of the Company were aware, the person(s) or institution(s) (other than a Director or chief executives of the Company) who had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

<b>Name of shareholder</b>	<b>Nature of Interest</b>	<b>Number of shares</b>	<b>Approximate Percentage of interest in our Company as at 31 December 2013</b>
Boom Win	Beneficial interest <sup>(1)</sup>	3,387,940,295	72.77%

Notes:

- (1) Boom Win is owned as to 60% by Mr. Shu Cecheng and 40% by Mr. Shu Cewan. Mr. Shu Cecheng is deemed to be interested in the shares held by Boom Win for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2013, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

**MAJOR CUSTOMERS AND SUPPLIERS**

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers.



## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTIONS

During the year, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

### INTERESTS IN COMPETITORS

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

### EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2013.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

## REPORT OF THE DIRECTORS

### PRE-EMPTIVE RIGHTS

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

### CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors, at the date of this Annual Report, the Company has maintained a sufficient public float throughout the year ended 31 December 2013.

### EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 44 to the consolidated financial statements.

### AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Ernst & Young as the auditor of the Company.

On behalf of the Board

**Shu Cecheng**

Chairman

Hong Kong, 19 March 2014

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

## CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Listing Rules on the Stock Exchange. The Company has complied with the Code on Corporate Governance during the period from the Listing Date to 31 December 2013.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the period from the Listing Date to 31 December 2013 and all Directors confirmed that they have complied with the Model Code.

## THE BOARD

### Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The Board is also responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including control measures of financial and operational compliance and risk management functions of the Group.



## CORPORATE GOVERNANCE REPORT

### Composition and Qualifications

The Board comprises five executive Directors, being Mr. Shu Cecheng (Chairman), Mr. Shu Cewan (Chief Executive Officer), Mr. Shu Ceyuan, Ms. Wu Xiaowu and Mr. Zhao Lidong, and three independent non-executive Directors, being Dr. Song Ming, Mr. Lo Kwong Shun Wilson and Prof. Shu Guoying. Biographical details of each Directors are set out on pages 40 to 43.

The relationships among the members of the Board are disclosed under "Directors' Profile" on pages 40 to 43. Save as disclosed under "Directors' Profile", the Board members have no financial, business, family or other material/relevant relationships with each other. The formation of the Board has met the recommended practice under the Corporate Governance Code for the Board to have at least one-third in number of its members comprising independent non-executive Directors.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

### Appointment and Re-Election of Directors

All executive Directors have entered into service contracts with the Company for a specific term of three years while all independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years. One third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

### Directors' Training and Professional

All directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme newly appointed director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed director. The Company further arranges an on-going training and professional development seminar for Directors.

During the year of 2013, all Directors were provided with monthly newsletter on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also organized a seminar on the "Update of Directors' Obligations under the Securities and Futures Ordinance and the Corporate Governance Code" for the Directors. The seminar was facilitated by Company's legal advisors with presentation and relevant materials. Continuing briefings and professional development for directors will be arranged whenever necessary.

All Directors had provided the Company Secretary with their training records for the year of 2013.

### Indemnification of Directors and Officers

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

CORPORATE GOVERNANCE REPORT **BOARD MEETING**

The Board meets on a regular basis and 4 meetings were held during the year. The individual attendance record is as follows:

<b>Directors</b>	<b>No. of meetings attended/ No. of meetings held</b>
<b>Executive Directors:</b>	
Mr. Shu Cecheng	4/4
Mr. Shu Cewan	4/4
Mr. Shu Ceyuan	4/4
Ms. Wu Xiaowu	4/4
Mr. Zhao Lidong	4/4
<b>Independent non-executive Directors:</b>	
Dr. Song Ming	4/4
Mr. Lo Kwong Shun Wilson	4/4
Prof. Shu Guoying	4/4

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.



## CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Lo Kwong Shun Wilson, Dr. Song Ming and Prof. Shu Guoying, while Mr. Lo Kwong Shun Wilson is the chairman of the audit committee. During the year, the audit committee held 1 meeting, The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Lo Kwong Shun Wilson	1/1
Dr. Song Ming	1/1
Prof. Shu Guoying	1/1

The audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

The audit committee together with the management of the Company has reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the annual results for the year ended 31 December 2013.

## REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive Director, Mr. Shu Cewan, and two independent non-executive Directors, Dr. Song Ming and Prof. Shu Guoying, while Dr. Song Ming is the chairman of the committee. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Dr. Song Ming	1/1
Mr. Shu Cewan	1/1
Prof. Shu Guoying	1/1

The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.



CORPORATE GOVERNANCE REPORT 

## NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises an executive Directors, Mr. Shu Cecheng and two independent non-executive Directors, Dr. Song Ming and Mr. Lo Kwong Shun, Wilson, while Mr. Shu Cecheng is the chairman of the committee.

The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

During the year ended 31 December 2013, no meeting was held by the nomination committee but members of the nomination committee have reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business.

## AUDITORS' REMUNERATION

During the year, the total remuneration in respect of statutory audit services paid to the Company's auditors, Messrs Ernst & Young ("E&Y") and PRC local auditors, amounted to approximately RMB5,500,000 and RMB581,000, respectively. Total service charges are as follows:

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	RMB'000
Paid to E&Y for statutory audit services	5,500
Paid to E&Y as reporting accountants in respect of the issue of prospectus dated 31 May 2013	5,700
Paid to E&Y as reporting accountants in respect of the issue of offering circular dated 18 September 2013	400
Paid to PRC auditors for statutory audit services	581
	12,181
Less: Transaction costs deducted from equity	(1,825)
Total	10,356



## CORPORATE GOVERNANCE REPORT

### INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group. During the year ended 31 December 2013, the Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. Besides, the audit committee of the Company and the Board also will perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

### DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on pages 64 to 65 of the "Independent Auditor's Report" in this annual report.

### SHAREHOLDERS RIGHTS

#### **Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings**

Pursuant to the article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### **Procedures by which enquiries may be put to the Board**

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the company secretary through the above means. If shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, our share registrar from time to time.



## CORPORATE GOVERNANCE REPORT

### Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2013.

## INVESTOR RELATIONS

### Effective Communication with Shareholders and Investors

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the team of Investor Relations engages in providing effective ways for shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.wz-china.com" also acts as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively correspond to any enquiries raised by the shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors meetings, luncheons and site visits, held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.wz-china.com](http://www.wz-china.com)) immediately after the relevant general meetings.

# INDEPENDENT AUDITORS' REPORT



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ey.com

## **To the shareholders of Wuzhou International Holdings Limited** (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wuzhou International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 66 to 163, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT 

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

19 March 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	4,049,567	2,253,240
Cost of sales		(2,280,484)	(1,052,374)
<b>Gross profit</b>		<b>1,769,083</b>	<b>1,200,866</b>
Other income and gains	5	30,962	25,309
Selling and distribution expenses		(351,927)	(232,545)
Administrative expenses		(435,375)	(271,725)
Other expenses		(22,552)	(16,797)
Fair value gain upon transfer to investment properties	15	689,092	392,105
Change in fair value of investment properties	15	201,565	185,346
Finance costs	7	(88,557)	(25,071)
Share of profits and losses of associates	22(b)	(3,106)	5,016
<b>PROFIT BEFORE TAX</b>	6	<b>1,789,185</b>	<b>1,262,504</b>
Income tax expense	10	(668,944)	(508,620)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,120,241</b>	<b>753,884</b>
Attributable to:			
Owners of the parent	11	1,020,036	699,711
Non-controlling interests		100,205	54,173
		<b>1,120,241</b>	<b>753,884</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	13		
Basic and diluted (RMB Yuan)		<b>0.25</b>	0.20

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	256,002	257,098
Investment properties	15	4,949,200	2,572,100
Prepaid land lease payments	16	172,628	80,783
Intangible assets	19	4,363	4,487
Long-term deferred expense	20	3,102	3,019
Investment in associates	22	41,128	41,784
Available-for-sale investments	23	10,000	10,000
Deferred tax assets	24	207,737	224,426
Total non-current assets		5,644,160	3,193,697
<b>CURRENT ASSETS</b>			
Inventories		772	1,251
Properties under development	17	5,006,026	4,307,812
Completed properties held for sale	18	1,340,113	532,425
Trade and bills receivables	25	40,051	18,106
Due from related companies	40	–	94,710
Prepaid land lease payments	16	843,777	600,441
Prepayments, deposits and other receivables	26	1,085,549	696,453
Tax recoverable		47,794	79,668
Restricted cash	27	179,546	26,971
Pledged deposits	27	292,090	126,800
Cash and cash equivalents	27	941,254	755,451
Total current assets		9,776,972	7,240,088
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	28	2,707,940	1,932,687
Other payables, deposits received and accruals	29	709,437	677,394
Advances from customers	30	3,071,363	2,737,177
Due to related companies	40	–	213,980
Due to shareholders	40	–	18,136
Interest-bearing bank and other borrowings	31	1,081,708	772,480
Tax payable	10	723,170	465,811
Total current liabilities		8,293,618	6,817,665
<b>NET CURRENT ASSETS</b>		1,483,354	422,423
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,127,514	3,616,120

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	31	2,105,670	1,627,080
Senior notes	33	606,050	–
Deferred tax liabilities	24	431,719	343,925
Total non-current liabilities		3,143,439	1,971,005
<b>Net assets</b>		<b>3,984,075</b>	1,645,115
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	32	292,893	216,659
Reserves	35(a)	3,076,732	1,103,034
Proposed final dividend	12	128,119	–
		3,497,744	1,319,693
<b>Non-controlling interests</b>		<b>486,331</b>	325,422
<b>Total equity</b>		<b>3,984,075</b>	1,645,115

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the parent								Non controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Share option reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012	-	-	298,234	-	55,578	468,776	-	822,588	429,334	1,251,922
Issuance of new shares	216,659	-	-	-	-	-	-	216,659	-	216,659
Acquisition of subsidiaries by the Group from the then equity holder of the subsidiaries	-	-	(299,214)	-	-	-	-	(299,214)	-	(299,214)
Acquisition of non-controlling interests	-	-	52,054	-	-	-	-	52,054	(61,194)	(9,140)
Contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	9,352	9,352
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(62,965)	(62,965)
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	(11,067)	(11,067)
Total comprehensive income for the year	-	-	-	-	-	699,711	-	699,711	54,173	753,884
Dividends paid to the then equity holder of subsidiaries	-	-	-	-	-	(172,105)	-	(172,105)	-	(172,105)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(32,211)	(32,211)
Appropriations to statutory surplus reserve	-	-	-	-	87,726	(87,726)	-	-	-	-
Proposed final 2012 dividend	-	-	-	-	-	-	-	-	-	-
As at 31 December 2012	216,659	-	51,074	-	143,304	908,656	-	1,319,693	325,422	1,645,115
As at 1 January 2013	216,659	-	51,074	-	143,304	908,656	-	1,319,693	325,422	1,645,115
Issuance of new shares	76,234	1,076,161	-	-	-	-	-	1,152,395	-	1,152,395
Contribution from non-controlling shareholders of subsidiaries	-	-	496	-	-	-	-	496	60,704	61,200
Total comprehensive income for the period	-	-	-	-	-	1,020,036	-	1,020,036	100,205	1,120,241
Appropriations to statutory surplus reserve	-	-	-	-	93,173	(93,173)	-	-	-	-
Equity-settled share option arrangements	-	-	-	5,124	-	-	-	5,124	-	5,124
Proposed final 2013 dividend	-	(128,119)	-	-	-	-	128,119	-	-	-
As at 31 December 2013	292,893	948,042	51,570	5,124	236,477	1,835,519	128,119	3,497,744	486,331	3,984,075

\* These reserve accounts comprise the consolidated reserves of RMB3,076,732,000 (2012: RMB1,103,034,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		1,789,185	1,262,504
Adjustments for:			
Finance costs	7	88,557	25,071
Share of profits and losses of associates	22(b)	3,106	(5,016)
Interest income	5	(11,079)	(5,572)
Depreciation	14	24,425	23,874
Amortisation of intangible assets	6, 19	886	914
Amortisation of long-term deferred expenses	6, 20	1,074	1,281
Impairment allowance on loans receivables	6	–	20
Gain on disposal of items of property, plant and equipment		(781)	(47)
Loss/(gain) on disposal of a subsidiary	5, 6	(1,226)	6,918
Dividends received	5	–	(692)
Fair value gain upon transfer to investment properties	15	(689,092)	(392,105)
Change in fair value of investment properties	15	(201,565)	(185,346)
Equity-settled share-based payment expenses	35	5,124	–
		<b>1,008,614</b>	<b>731,804</b>
Decrease in inventories		479	1,146
Increase in properties for development and for sale		(2,342,598)	(1,328,294)
Disposal of investment properties	15	7,673	–
Additions of long-term deferred expense	20	(1,157)	(739)
(Increase)/decrease in trade and bills receivables		(21,945)	38,448
Increase in prepayments, deposits and other receivables		(392,216)	(16,286)
Increase in prepaid land lease payments	16	(335,181)	(346,460)
Increase in trade and bills payables		688,541	796,524
(Increase)/decrease in restricted cash		(152,575)	15,040
(Increase)/decrease in pledged deposits		(233,490)	11,218
Increase in other payables, deposits received and accruals		22,703	209,839
Increase in advances from customers		334,970	302,889
Cash generated from/(used in)operations		<b>(1,416,182)</b>	<b>415,129</b>
Interest received	5	11,079	5,572
Interest paid		(305,379)	(169,848)
Tax paid		(275,228)	(197,982)
Net cash flows from/(used in)operating activities		<b>(1,985,710)</b>	<b>52,871</b>

CONSOLIDATED STATEMENT OF CASH FLOWS 

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	14	(24,749)	(31,113)
Purchases of intangible assets	19	(762)	(1,885)
Proceeds from disposal of items of property, plant and equipment		1,834	77
Increase in investment properties		(319,848)	(434,882)
Disposal of a subsidiary	36	1,775	137,101
Liquidation of a subsidiary		–	(11,067)
Dividends and interests received		–	11,424
Investment in an associate	22	(2,450)	–
Advances to shareholders		(12,269)	(37,525)
Recovery of advances to shareholders		12,269	40,575
Recovery of advances to a related party		–	7,974
Advances to related companies		(139,940)	(695,764)
Recovery of advances to related companies		485,289	580,666
Net cash flows (used in)/from investing activities		1,149	(434,419)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	32	1,199,087	–
Share issue expenses	32	(46,692)	–
Net proceeds from the issuance of senior notes	33	586,690	–
Foreign exchange gain	33	(3,184)	–
Capital contribution from non-controlling interests		61,200	9,352
Acquisition of subsidiaries by the Group from the then equity holder of the subsidiaries		–	(299,214)
Distribution to an equity holder		–	(172,105)
Distribution to a non-controlling shareholder		–	(27,611)
Acquisition of non-controlling interests		–	(9,140)
Advances from shareholders		17,731	230,155
Repayment of advances from shareholders		(35,867)	(462,284)
Acquisition of non-controlling interests		–	(5,000)
Advances from related companies		820,997	2,292,147
Repayment of advances from related companies		(1,285,616)	(2,112,201)
Decrease/(increase) in pledged deposits		68,200	(89,101)
Proceeds from interest-bearing bank loans and other borrowings		3,433,324	1,719,220
Repayment of interest-bearing bank loans and other borrowings		(2,645,506)	(453,000)
Net cash flow used in financing activities		2,170,364	621,218

CONSOLIDATED STATEMENT OF CASH FLOWS 

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>185,803</b>	239,670
Cash and cash equivalents at beginning of year		<b>755,451</b>	515,781
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>941,254</b>	755,451
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	27	<b>1,412,890</b>	909,222
Less: Restricted cash	27	<b>179,546</b>	26,971
Pledged deposits	27	<b>292,090</b>	126,800
Cash and cash equivalents as stated in the statement of cash flows		<b>941,254</b>	755,451



STATEMENT OF  
FINANCIAL POSITION 

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>CURRENT ASSETS</b>			
Due from subsidiaries	21	1,928,583	216,659
Total current assets		1,928,583	216,659
<b>CURRENT LIABILITIES</b>			
Due to subsidiaries	21	6,584	–
Other payables and accruals	29	52	–
Total current liabilities		6,636	–
<b>NET CURRENT ASSETS</b>		1,921,947	216,659
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,921,947	216,659
<b>NON-CURRENT LIABILITIES</b>			
Senior notes	33	606,050	–
Total non-current liabilities		606,050	–
Net assets		1,315,897	216,659
<b>EQUITY</b>			
Share capital	32	292,893	216,659
Reserves	35(b)	894,885	–
Proposed final dividend		128,119	–
Total equity		1,315,897	216,659

**Shu Cecheng**

Chairman

**Shu Cewan**

Chief Executive Officer

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 June 2013 ("the Listing Date").

The head office and principal place of business of the Company in Hong Kong is located at Unit 5105, 51/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Group was principally involved in property development, property investment and the provision of property management services.

In the opinion of the directors, the ultimate holding company of the Company is Boom Win Holding Limited, which is incorporated in British Virgin Islands. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan ("The Shu Brothers" or "Controlling Shareholders").

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs which include all standards and interpretations approved by the IASB, and International Accounting Standards (the "IASs") and Standing Interpretations Committee interpretations approved by the IASB that remain in effect, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.1 BASIS OF PREPARATION** (continued)**Basis of consolidation** (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
IFRS 10	<i>Joint Arrangements</i>
IFRS 11	<i>Disclosure of Interests in Other Entities</i>
IFRS 12	Amendments to IFRS 10, IFRS 11 and IFRS 12 – <i>Transition Guidance</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	<i>Fair Value Measurement</i>
IFRS 13	Amendments to IAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
IAS 1 Amendments	<i>Employee Benefits</i>
IAS 19 (2011)	<i>Separate Financial Statements</i>
IAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
IAS 28 (2011)	Amendments to IAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)</i>
IAS 36 Amendments	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
IFRIC-Int 20	Amendments to a number of IFRSs issued in June 2012
<i>Annual Improvements 2009–2011 Cycle</i>	

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS**

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

IFRS 9	<i>Financial Instruments</i> <sup>3</sup>
IFRS 9, IFRS 7 and IAS 39 Amendments	<i>Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39</i> <sup>3</sup>
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – <i>Investment Entities</i> <sup>1</sup>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> <sup>2</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
IFRIC-Int 21	<i>Levies</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS** (continued)

In December 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Subsidiaries**

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Subsidiaries** (continued)

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

**Investments in associates and joint ventures**

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Business combinations and goodwill (continued)**

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

**Fair value measurement**

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Impairment of non-financial assets**

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

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**Related parties**

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Related parties** (continued)

- (b) the party is an entity where any of the following conditions applies: (continued)
- (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful life and the annual depreciation rate are as follows:

	<b>Estimated useful life</b>	<b>Annual depreciation rate</b>
Buildings	40 years	2.38%
Plant and machinery	3–10 years	9.50% to 31.67%
Motor vehicles	3–5 years	19.00% to 31.67%
Office equipment	3–5 years	19.00% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Property, plant and equipment and depreciation** (continued)

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

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

**Investment properties**

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

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

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

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

**Properties under development**

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

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

Properties under development are classified as current assets unless those will not be realized in one normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value takes into account the price ultimately expected to be realized, less estimated costs to be incurred in selling the properties.

### Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

### Intangible assets (other than goodwill)

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

### Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Investments and other financial assets****Initial recognition and measurement**

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

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

**Subsequent measurement**

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

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

**Loans and receivables**

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





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Investments and other financial assets** (continued)**Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income other income and gains in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in other expenses.

**Available-for-sale financial investments**

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Derecognition of financial assets**

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

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

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

**Impairment of financial assets**

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

**Financial assets carried at amortised cost**

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of financial assets (continued)****Financial assets carried at amortised cost (continued)**

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

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

**Assets carried at cost**

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

**Available-for-sale financial investments**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Impairment of financial assets** (continued)**Available-for-sale financial investments** (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

**Financial liabilities****Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

**Subsequent measurement**

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

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Financial liabilities** (continued)**Loans and borrowings**

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

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

**Financial guarantee contracts**

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

**Senior notes**

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Derecognition of financial liabilities**

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

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

**Offsetting of financial instruments**

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

**Cash and cash equivalents**

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

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

**Provisions**

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

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

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Income tax** (continued)

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Government grants**

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

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

**Revenue recognition**

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

Revenue from the sale of properties in the ordinary course of business is recognized when all the following criteria are met:

- (a) the significant risks and rewards of ownership of the properties are transferred to purchasers;
- (b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

For the Group, revenue from sale of completed properties is recognized upon the signing of property handover letter, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position under current liabilities.

Rental income is recognized on a time proportion basis over the lease terms.

Interest income is recognized, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Commissions from concessionaire sales are recognized upon the sale of goods by the relevant stores.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**Revenue recognition** (continued)

Service income from commercial management services and other activities are recognized when the services are rendered and the inflow of economic benefit is probable.

Dividend income is recognized when the shareholder's right to receive payment has been established.

**Share-based payments**

The Company operates a pre-IPO share awards scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Other employee benefits**

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

**Borrowing costs**

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

**Dividends**

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

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

**Foreign currencies**

Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which are the functional currency of the Company and the presentation currency of the Group. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### Judgements

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

#### **Operating lease commitments – Group as lessor**

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

#### **Classification between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### **Transfer to or from investment property**

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty**

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

**Provision of properties under development and completed properties held for sale**

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

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

**PRC corporate income tax**

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty (continued)****Estimate of fair value of investment properties**

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

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2013 was RMB4,915,200,000 (2012: RMB2,572,100,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

**Impairment of non-financial assets (other than goodwill)**

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

**Estimated useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty (continued)****Deferred tax assets**

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

**4. OPERATING SEGMENT INFORMATION**

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

- (a) the property development segment engages in the development and sale of properties;
- (b) the property management segment engages in the management of the Group's developed and entrusted operating properties and invests in properties for their rental income potential and/or for capital appreciation;
- (c) the other segment comprises principally of operating department store, operating hotel and providing advertising service.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit before is measured consistently with the Group's profit before tax except that finance costs, dividend income and share of income or losses of associates are excluded from such measurement.

Segment assets exclude available-for-sale investment and investments in associates are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in the Mainland China and no non-current assets of the Group are located outside the Mainland China.

No information about major customers is presented as no single customer individually contributed to over 10% of the Group's revenue for the years ended 31 December 2012 and 2013.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue</b>					
Sales to external customers	3,880,430	145,019	117,313	(93,195)	4,049,567
<b>Segment results</b>	904,249	869,876	13,528	93,195	1,880,848
<i>Reconciliation:</i>					
Finance costs					(88,557)
Share of losses of associates					(3,106)
Profit before tax					1,789,185
<b>Segment assets</b>	9,705,803	5,459,242	204,959	–	15,370,004
<i>Reconciliation:</i>					
Available-for-sale investment					10,000
Investments in associates					41,128
Total assets					15,421,132
<b>Segment liabilities</b>	10,207,410	1,226,571	3,076	–	11,437,057
Total liabilities					11,437,057
<b>Other segment information</b>					
Depreciation and amortization	17,660	2,271	6,454	–	26,385
Fair value gain upon transfer to investment properties	–	689,092	–	–	689,092
Change in fair value of investment Properties	–	201,565	–	–	201,565

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue</b>					
Sales to external customers	2,126,322	109,782	47,099	(29,963)	2,253,240
<b>Segment results</b>	662,691	589,878	27	29,963	1,282,559
<i>Reconciliation:</i>					
Finance costs					(25,071)
Share of losses of associates					5,016
Profit before tax					1,262,504
<b>Segment assets</b>	7,329,550	2,929,750	122,701	–	10,382,001
<i>Reconciliation:</i>					
Available-for-sale investment					10,000
Investments in associates					41,784
Total assets					10,433,785
<b>Segment liabilities</b>	8,421,936	366,734	–	–	8,788,670
Total liabilities					8,788,670
<b>Other segment information</b>					
Depreciation and amortization	18,636	1,314	6,119	–	26,069
Fair value gain upon transfer to investment properties	–	392,105	–	–	392,105
Change in fair value of investment Properties	–	185,346	–	–	185,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**5. REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents income from the sale of properties, rental income, commercial management service income, property management service income and commissions from concessionaire sales during the year, after deduction of allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
<b>Revenue</b>		
Sale of properties	<b>3,880,430</b>	2,126,322
Rental income	<b>44,163</b>	30,749
Commercial management service income	<b>91,684</b>	68,290
Property management service income	<b>9,172</b>	10,743
Commissions from concessionaire sale	<b>9,935</b>	6,035
Others	<b>14,183</b>	11,101
	<b>4,049,567</b>	2,253,240
<b>Other income and gains</b>		
Subsidy income	<b>13,886</b>	13,322
Interest income	<b>11,079</b>	5,572
Gain on disposal of a subsidiary	<b>1,226</b>	–
Gain on disposal of items of property, plant and equipment	<b>781</b>	55
Dividends received	<b>–</b>	692
Compensation from government	<b>–</b>	4,411
Others	<b>3,990</b>	1,257
	<b>30,962</b>	25,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**6. PROFIT BEFORE TAX**

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

	Notes	2013 RMB'000	2012 RMB'000
Cost of properties sold	15,18	2,208,098	994,181
Cost of property management service provided		7,780	9,664
Depreciation	14	24,425	23,874
Amortisation of intangible assets	19	886	914
Amortisation of long-term deferred expenses	20	1,074	1,281
Auditors' remuneration		10,356	3,385
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		164,919	89,505
Equity-settled share-base payment expenses		5,124	–
Pension scheme contributions *		36,684	19,909
		206,727	109,414
Foreign exchange differences, net		8,737	1,115
Impairment allowance on loans receivable		–	20
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties and commercial management service provided		52,148	37,920
Provision for loan receivables		–	208
Loss on disposal of a subsidiary		–	6,918

Notes:

\* During the year, certain of the subsidiaries in Mainland China were members of pension schemes managed by the respective local governments. Contributions made during the year were based on 20% – 23% (2012: 20% – 23%) of the employees' salaries and were charged to the consolidated income statement, as they became payable.

For Hong Kong employees eligible for the MPF Scheme, the Group contributed 5% of the employees' salaries for the year ended 31 December 2013 (2012: 5%).

At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension scheme(s) in future years (2012: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**7. FINANCE COSTS**

An analysis of finance costs from continuing operations is as follows:

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Interest on bank and other borrowings	<b>316,873</b>	169,848
Interest on senior notes	<b>22,544</b>	–
Less: Interest capitalised	<b>(250,860)</b>	(144,777)
	<b>88,557</b>	25,071

**8. DIRECTORS' REMUNERATION**

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	<b>3,818</b>	2,093
Performance related bonuses*	<b>1,310</b>	960
Equity-settled share-based payment expenses	<b>1,648</b>	–
Pension scheme contributions	<b>161</b>	156
	<b>6,937</b>	3,209

\* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**8. DIRECTORS' REMUNERATION** (continued)**(a) Independent non-executive directors**

The fees paid to independent non-executive directors during the year were as follows:

	2013 RMB'000	2012 RMB'000
Dr. Song Ming	122	–
Mr. Lo Kwong Shun Wilson	70	–
Prof. Shu Guoying	70	–
	262	–

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

**(b) Executive directors and the chief executive**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>2013</b>						
Executive directors:						
Mr. Shu Cecheng	–	424	–	–	18	442
Mr. Shu Ceyuan	–	1,050	380	582	31	2,043
Ms. Wu Xiaowu	–	542	170	582	31	1,325
Mr. Zhao Lidong	–	1,365	760	325	67	2,517
	–	3,381	1,310	1,489	147	6,327
Chief executive and executive director:						
Mr. Shu Cewan	–	229	–	105	14	348
	–	3,610	1,310	1,594	161	6,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>2012</b>						
Executive directors:						
Mr. Shu Cecheng	–	424	–	–	19	443
Mr. Shu Ceyuan	–	600	400	–	32	1,032
Ms. Wu Xiaowu	–	240	160	–	32	432
Mr. Zhao Lidong	–	600	400	–	58	1,058
	–	1,864	960	–	141	2,965
Chief executive and executive director:						
Mr. Shu Cewan	–	229	–	–	15	244
	–	2,093	960	–	156	3,209

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2012: three), details of whose remuneration are set out in notes 8 above. Details of the remuneration for the year of the remaining two (2012: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Salaries, allowances and benefits in kind	2,952	730
Performance related bonuses	–	460
Equity-settled share-based payment expenses	71	–
Pension scheme contributions	46	65
	<b>3,069</b>	1,255



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**9. FIVE HIGHEST PAID EMPLOYEES** (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013 RMB'000	2012 RMB'000
Nil to RMB1,000,000	–	2
RMB1,000,001 to RMB2,000,000	2	–
	2	2

During the year and in prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

**10. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the year ended 31 December 2013.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25%.

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

In addition, Wuxi Wuzhou Ornament City, Wuxi Zhongnan, Wuxi Longan and Dali Wuzhou were subject to LAT which is calculated based on 3% to 8.34% of their revenue in accordance with "Wuxi Tax Circular No. (2009) 46" and "No. 1 (2010) Announcement of Dali tax bureau".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

10. INCOME TAX (continued)

	2013 RMB'000	2012 RMB'000
Current tax:		
PRC corporate income tax	286,580	290,549
PRC LAT	277,881	196,872
Deferred tax	104,483	21,199
<b>Total tax charge for the year</b>	<b>668,944</b>	508,620

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e. the statutory tax rate) to the effective tax rate are as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	1,789,185	1,262,504
Tax at the statutory tax rate	447,296	315,626
Lower tax rate(s) for specific provinces or enacted by local authority	–	(688)
Expenses not deductible for tax	30,090	15,459
Tax loss not recognised	6,488	1,564
Profits and losses attributable to associates	776	(1,254)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	(24,117)	30,432
Income not subject to tax	–	(173)
Provision for LAT	277,881	196,872
Tax effect on LAT	(69,470)	(49,218)
<b>Tax charge at the Group's effective rate</b>	<b>668,944</b>	508,620

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**10. INCOME TAX (continued)**

Tax payable in the consolidated statement of financial position represents:

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
PRC corporate income tax payable	<b>441,004</b>	325,262
PRC LAT payable	<b>282,166</b>	140,549
<b>Total tax payable</b>	<b>723,170</b>	465,811

**11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB58,281,000 (2012: Nil) which has been dealt with in the financial statements of the Company (note 35(b)).

**12. DIVIDENDS**

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Proposed final – HK3.5 cents (2012: Nil) per ordinary share	<b>128,119</b>	Nil

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,094,975,722 (2012: 3,422,161,914) in issue during the year, as adjusted to reflect the rights issue during the year. 2012 weighted average ordinary shares is determined on the assumption that the Reorganisation and the capitalisation issue had been completed on 1 January 2012.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 in respect of a dilution as the impact of the share option had an anti-dilutive effect on the basic earnings per share amounts presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** (continued)

The calculations of basic and diluted earnings per share are based on:

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>1,020,036</b>	699,711

	<b>Number of shares</b>	
	<b>2013</b>	2012
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>4,094,975,722</b>	3,422,161,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2013</b>						
At 31 December 2012 and 1 January 2013:						
Cost	151,806	256	65,736	22,698	61,570	302,066
Accumulated depreciation	(9,375)	(49)	(25,697)	(9,847)	–	(44,968)
Net carrying amount	142,431	207	40,039	12,851	61,570	257,098
At 1 January 2013, net of accumulated depreciation	142,431	207	40,039	12,851	61,570	257,098
Additions	5,976	362	6,202	12,209	–	24,749
Transfers	61,570	–	–	–	(61,570)	–
Disposals	–	–	(940)	(480)	–	(1,420)
Depreciation provided during the year	(4,424)	(51)	(13,860)	(6,090)	–	(24,425)
At 31 December 2013, net of accumulated depreciation	205,553	518	31,441	18,490	–	256,002
At 31 December 2013:						
Cost	219,352	618	68,759	34,109	–	322,838
Accumulated depreciation	(13,799)	(100)	(37,318)	(15,619)	–	(66,836)
Net carrying amount	205,553	518	31,441	18,490	–	256,002

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

## Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2012</b>						
At 31 December 2011 and 1 January 2012:						
Cost	132,590	153	44,734	14,440	33,715	225,632
Accumulated depreciation	(2,280)	(24)	(13,564)	(5,607)	–	(21,475)
Net carrying amount	130,310	129	31,170	8,833	33,715	204,157
At 1 January 2012, net of accumulated depreciation						
Additions	19,216	103	21,262	8,419	27,855	76,855
Disposals	–	–	(21)	(19)	–	(40)
Depreciation provided during the year	(7,095)	(25)	(12,372)	(4,382)	–	(23,874)
At 31 December 2012, net of accumulated depreciation	142,431	207	40,039	12,851	61,570	257,098
At 31 December 2012:						
Cost	151,806	256	65,736	22,698	61,570	302,066
Accumulated depreciation	(9,375)	(49)	(25,697)	(9,847)	–	(44,968)
Net carrying amount	142,431	207	40,039	12,851	61,570	257,098

At 31 December 2013, certain of the Group's buildings with a net carrying amount of approximately RMB126,056,000 (2012: RMB128,315,000) were pledged to secure general banking facilities granted to the Group (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

## 15. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
At 1 January 2012	742,000	506,300	1,248,300
Additions	–	303,754	303,754
Transferred from investment properties under construction	181,714	(181,714)	–
Transferred from properties held for sale (note 18)	316,253	–	316,253
Transferred from properties under development (note 17)	–	126,342	126,342
Fair value gain upon transfer to investment properties	185,747	206,358	392,105
Change in fair value of investment properties	78,886	106,460	185,346
At 31 December 2012 and 1 January 2013	<b>1,504,600</b>	<b>1,067,500</b>	<b>2,572,100</b>
Additions	–	406,560	406,560
Transferred from investment properties under construction	439,136	(439,136)	–
Transferred from properties held for sale (note 18)	616,117	–	616,117
Transferred from properties under development (note 17)	–	471,439	471,439
Transferred to cost of properties sold (note 6)	(7,673)	–	(7,673)
Fair value gain upon transfer to investment properties	121,825	567,267	689,092
Change in fair value of investment properties	54,695	146,870	201,565
Carrying amount at 31 December 2013	<b>2,728,700</b>	<b>2,220,500</b>	<b>4,949,200</b>

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2012 and 2013 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, on an open market value, based on capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties. The investment properties are leased to third parties under operating leases, further details of which are included in note 38 to the financial statements.

As at 31 December 2013, the Group's investment properties with a carrying values of RMB2,074,269,000 (2012: RMB1,039,978,000) were pledged to secure general banking facilities granted to the Group (note 31).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**15. INVESTMENT PROPERTIES** (continued)**Fair value hierarchy**

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

Recurring fair value measurement for:	Fair value measurement as at 31 December 2013 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Completed commercial properties	–	–	2,728,700	2,728,700
Commercial properties under development	–	–	2,220,500	2,220,500
	–	–	4,949,200	4,949,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Commercial properties	Income capitalization method	Market monthly rental rate (per s.q.m and per month) Capitalization rate	7 – 280 (45) 2.80% – 6.50% (3.93%)
Commercial properties under construction	Income capitalization method	Market monthly rental rate (per s.q.m and per month) Capitalization rate	5 – 320 (65) 2.75% – 6.00% (3.94%)

The fair values of investment properties is determined using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate, and negatively correlated to capitalization rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**15. INVESTMENT PROPERTIES** (continued)**Fair value hierarchy** (continued)

A significant increase (decrease) in the estimated rental value per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalization rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

**16. PREPAID LAND LEASE PAYMENTS**

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Carrying amount at 1 January	681,224	342,657
Additions during the year	555,653	389,620
Transferred to properties under development during the year	(220,472)	(51,053)
Carrying amount at 31 December	<b>1,016,405</b>	681,224
Less: Current portion	843,777	600,441
Non-current portion	<b>172,628</b>	80,783

The prepaid land lease payments for land use rights are held under medium term leases and the parcels of land are situated in Mainland China.

At 31 December 2013, the Group's prepaid land lease payments with aggregate carrying amounts of approximately RMB470,351,000 (2012: RMB173,655,000) were pledged to secure general banking facilities granted to the Group (note 31).

**17. PROPERTIES UNDER DEVELOPMENT**

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Carrying amount at 1 January	4,307,812	3,098,829
Additions during the year	4,793,883	2,721,089
Transferred to completed properties held for sale (note 18)	(3,624,230)	(1,385,764)
Transferred to investment properties (note 15)	(471,439)	(126,342)
Carrying amount at 31 December	<b>5,006,026</b>	4,307,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**17. PROPERTIES UNDER DEVELOPMENT** (continued)

The carrying values of properties under development situated on leasehold land in Mainland China are as follows:

	<b>31 December 2013 RMB'000</b>	31 December 2012 RMB'000
Medium term leases	<b>5,006,026</b>	4,307,812

Further particulars of the Group's investment properties are included in note 15.

At 31 December 2013, the Group's properties under development with aggregate carrying amounts of approximately RMB2,052,450,000 (2012: RMB2,491,862,000) were pledged to secure general banking facilities granted to the Group (note 31).

**18. COMPLETED PROPERTIES HELD FOR SALE**

	<b>Group 2013 RMB'000</b>	2012 RMB'000
Carrying amount at 1 January	<b>532,425</b>	462,745
Transferred from properties under development (note 17)	<b>3,624,230</b>	1,385,764
Transferred to investment properties (note 15)	<b>(616,117)</b>	(316,253)
Transferred to property, plant and equipment	<b>–</b>	(5,650)
Transferred to cost of properties sold (note 6)	<b>(2,200,425)</b>	(994,181)
Carrying amount at 31 December	<b>1,340,113</b>	532,425

At 31 December 2013, the Group's properties under development with aggregate carrying amounts of approximately RMB275,511,000 (2012: RMB209,796,000) were pledged to secure general banking facilities granted to the Group (note 31).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 19. INTANGIBLE ASSETS

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
<b>Software</b>		
At 1 January		
Cost	6,101	4,216
Accumulated amortisation	(1,614)	(700)
Net carrying amount	4,487	3,516
Cost at 1 January, net of accumulated amortisation	4,487	3,516
Additions	762	1,885
Amortisation provided during the year	(886)	(914)
At 31 December, net of accumulated amortisation	4,363	4,487
At 31 December		
Cost	6,863	6,101
Accumulated amortisation	(2,500)	(1,614)
Net carrying amount	4,363	4,487

## 20. LONG-TERM DEFERRED EXPENSES

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Carrying amount at 1 January	3,019	3,561
Additions	1,157	739
Amortisation provided during the year	(1,074)	(1,281)
Carrying amount at 31 December	3,102	3,019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 21. INVESTMENTS IN SUBSIDIARIES

	<b>Company 2013 RMB'000</b>	2012 RMB'000
Due from subsidiaries	1,928,583	216,659
Due to subsidiaries	(6,584)	–
Carrying amount at 31 December	1,921,999	216,659

The amounts due from/(to) subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/(to) subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Subsidiaries	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Directly held:</b>				
Wuzhou International Investment Limited 五洲國際投資有限公司 ("Wuzhou International Investment")	British Virgin Islands/ 27 April 2010	US\$50,000	100%	Investment holding
Taishun International Company Limited 泰順國際有限公司 ("Taishun International")	British Virgin Islands/ 19 June 2013	US\$50,000	100%	Investment holding
Zhouji International Company Limited 洲際國際有限公司 ("Zhouji International")	British Virgin Islands/ 19 June 2013	US\$50,000	100%	Investment holding
Long An (Wuzhou) International Company Limited 龍安(五洲)國際有限公司 ("Longan Wuzhou International")	British Virgin Islands/ 19 June 2013	US\$50,000	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries		Place and date of incorporation/ Notes establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b>					
Hong Kong Wuzhou International Group Limited 香港五洲國際集團有限公司 ("Hongkong Wuzhou")		Hong Kong/ 6 May 2010	HK\$10,000	100%	Investment holding
Hong Kong Longan Investment Company Limited 香港龍安投資有限公司 ("Hongkong Longan Investment")		Hong Kong/ 4 July 2013	HK\$10,000	100%	Investment holding
Hong Kong Zhouji Investment Company Limited 香港洲際投資有限公司 ("Hongkong Zhouji Investment")		Hong Kong/ 4 July 2013	HK\$10,000	100%	Investment holding
Hong Kong Taishun Investment Company Limited 香港泰順投資有限公司 ("Hongkong Taishun Investment")		Hong Kong/ 4 July 2013	HK\$10,000	100%	Investment holding
Hong Kong Wuzhou Lisheng International Group Limited 香港五洲立盛國際集團有限公司 ("Hongkong Wuzhou Lisheng International")		Hong Kong/ 2 August 2013	HK\$10,000	51%	Investment holding
無錫中南置業投資有限公司 ("Wuxi Zhongnan")	2	PRC/ 24 December 2004	RMB36,614,000	100%	Property development
無錫五洲國際裝飾城有限公司 ("Wuxi Wuzhou Ornament City")	1	PRC/ 1 February 2005	RMB100,000,000	100%	Property development and property investment
無錫五洲商業管理有限公司 ("Wuxi Business Management")	2	PRC/ 5 January 2006	RMB5,000,000	100%	Property management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries		Place and date of incorporation/ Notes establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held: (continued)</b>					
無錫市崇安新城龍安置業有限公司 ("Wuxi Longan")	2	PRC/ 6 March 2007	RMB60,000,000	64.3%	Property development
無錫五洲國際商業運營有限公司 ("Wuzhou Business Operation")	2	PRC/ 18 July 2008	RMB50,000,000	100%	Property management
無錫市崇安新城龍安商業物業經營 管理有限公司 ("Longan Management")	2	PRC/ 24 October 2008	RMB1,000,000	64.3%	Property management
無錫市龍祥投資有限公司 ("Wuxi Longxiang")	2	PRC/ 30 April 2009	RMB20,000,000	51%	Property development
無錫五洲國際商業地產策劃有限公司 ("International Marketing Development")	2	PRC/ 10 September 2009	RMB500,000	51%	Marketing and planning of property
杭州龍安置業有限公司 ("Hangzhou Longan")	1	PRC/ 23 November 2009	US\$37,500,000	100%	Property development
鹽城五洲置業有限公司 ("Yancheng Wuzhou")	2	PRC/ 30 December 2009	RMB20,000,000	100%	Property development
南通五洲國際投資有限公司 ("Nantong Wuzhou")	2	PRC/ 21 January 2010	RMB80,000,000	51%	Property development
無錫五洲國際置業有限公司 ("Wuxi International Property")	2	PRC/ 31 March 2010	RMB50,000,000	90%	Property development
盱眙五洲國際置業有限公司 ("Xuyi Wuzhou")	2	PRC/ 19 April 2010	RMB50,000,000	100%	Property development
大理五洲國際商貿城有限公司 ("Dali Wuzhou")	2	PRC/ 27 August 2010	RMB20,000,000	100%	Property development
榮昌縣五洲五金裝飾城有限公司 ("Rongchang Wuzhou")	2	PRC/ 20 September 2010	RMB60,000,000	94%	Property development



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held: (continued)</b>					
無錫市龍騰商業投資發展有限公司 ("Wuxi Longteng")	2	PRC/ 22 December 2010	RMB50,000,000	59%	Property development
無錫五洲商業投資有限公司 ("Wuxi Property Investment")	2	PRC/ 3 March 2011	RMB20,000,000	100%	Property development
山東五洲國際家居博覽城有限公司 ("Leling Wuzhou")	2	PRC/ 28 March 2011	RMB20,000,000	51%	Property development
無錫五洲龍盛商業有限公司 ("Wuxi Longsheng")	2	PRC/ 19 April 2011	RMB20,000,000	100%	Property development
煙台五洲國際商品博覽城有限公司 ("Yantai Wuzhou")	2	PRC/ 5 May 2011	RMB10,000,000	95%	Property development
大理五洲國際商業地產策劃有限公司 ("Dali Marketing Development")	2	PRC/ 22 July 2011	RMB100,000	51%	Marketing and planning of property development
無錫萬翔商業物業運營有限公司 ("Wanxiang Marketing Development")	2	PRC/ 25 August 2011	RMB500,000	100%	Property management
建湖五洲國際置業有限公司 ("Jianhu Wuzhou")	2	PRC/ 31 August 2011	RMB20,000,000	100%	Property development
襄陽五洲國際商貿城有限公司 ("Xiangyang Wuzhou")	2	PRC/ 13 September 2011	RMB100,000,000	100%	Property development
瀋陽五洲國際工業博覽城置業有限公司 ("Shenyang Wuzhou")	2	PRC/ 13 October 2011	RMB100,000,000	100%	Property development
龍口五洲國際商貿城有限公司 ("Longkou Wuzhou")	2	PRC/ 10 November 2011	RMB20,000,000	95%	Property development

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21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries	Place and date of incorporation/Notes establishment	Nominal value of issued/registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held: (continued)</b>				
無錫六龍城商業管理有限公司 ("Longsheng Marketing Development")	2 PRC/ 10 January 2012	RMB1,000,000	100%	Property management
建湖五洲國際商業運營有限公司 ("Jianhu Marketing Development")	2 PRC/ 13 January 2012	RMB1,000,000	100%	Property management
山東五洲國際商業運營有限公司 ("Zibo Wuzhou")	2 PRC/ 16 January 2012	RMB20,000,000	100%	Property management
宜興五洲國際商業運營有限公司 ("Yixing Wuzhou")	2 PRC/ 17 January 2012	RMB20,000,000	100%	Property management
江陰五洲置業有限公司 ("Jiangyin Wuzhou")	2 PRC/ 17 January 2012	RMB60,000,000	90%	Property development
無錫市新龍騰經營管理有限公司 ("Longteng Marketing Development")	2 PRC/ 14 February 2012	RMB1,000,000	100%	Property management
無錫市龍乾物業管理有限公司 ("Longqian Marketing Development")	2 PRC/ 24 February 2012	RMB1,000,000	100%	Property management
無錫五洲國際企業管理有限公司 ("Wuxi Corporation Management")	2 PRC/ 21 March 2012	RMB4,800,000	51%	Property management
鹽城五洲商業運營管理有限公司 ("Yancheng Marketing Development")	2 PRC/ 29 May 2012	RMB1,000,000	100%	Property management
盱眙五洲國際商業物業服務有限公司 ("Xuyi Marketing Development")	2 PRC/ 1 June 2012	RMB1,000,000	100%	Property management
無錫梅村五洲國際商業物業管理有限公司 ("Meicun Marketing Development")	2 PRC/ 4 June 2012	RMB1,000,000	100%	Property management

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries		Place and date of incorporation/ Notes establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held: (continued)</b>					
大理五洲國際物業管理有限公司 ("Dali Wuzhou Property Management")	2	PRC/ 19 June 2012	RMB1,000,000	100%	Property management
榮昌縣五洲物業管理有限公司 ("Rongchang Property Wuzhou Management")	2	PRC/ 02 July 2012	RMB1,000,000	100%	Property management
江蘇五洲國際商業發展有限公司 ("Jiangsu Wuzhou")	2	PRC/ 11 July 2012	RMB20,000,000	100%	Property development
黑龍江五洲國際商貿博覽城有限公司 ("Heilongjiang Wuzhou")	2	PRC/ 23 July 2012	RMB100,000,000	100%	Property development
煙台五洲置業有限公司 ("Yantai Wuzhou")	2	PRC/ 24 July 2012	RMB20,000,000	95%	Property development
五洲哥倫布(射陽)置業有限公司 ("Wuzhou Columbia Sheyang")	2	PRC/ 7 August 2012	RMB157,282,500	100%	Property development
吉林市五洲國際商貿城有限公司 ("Jilin Wuzhou")	2	PRC/ 10 August 2012	RMB20,000,000	100%	Property development
襄陽五洲國際商業物業管理有限公司 ("Xiangyang Property Management")	2	PRC/ 27 September 2012	RMB1,000,000	100%	Property management
上海五策房地產諮詢有限公司 ("Shanghai Wuce")	2	PRC/ 26 November 2012	RMB1,000,000	51%	Marketing and planning of Property development
煙台五洲國際商業運營有限公司 ("Yantai Business Operation")	2	PRC/ 20 December 2012	RMB1,000,000	100%	Property management

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries		Place and date of incorporation/ Notes establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held: (continued)</b>					
保山五洲國際廣場有限公司 ("Baoshan Wuzhou")	2	PRC/ 9 January 2013	RMB20,000,000	61%	Property development
無錫五洲地產有限公司 ("Wuxi Property")	2	PRC/ 9 January 2013	RMB20,000,000	80%	Property development
南通五洲商業投資有限公司 ("Nantong Commercial Investment")	2	PRC/ 10 January 2013	RMB60,000,000	75%	Property development
龍口市五洲國際物業管理有限公司 ("Longkou Property Management")	2	PRC/ 10 January 2013	RMB1,000,000	100%	Property management
樂陵五洲國際商業物業管理有限公司 ("Leling Commercial Property")	2	PRC/ 22 January 2013	RMB1,000,000	100%	Property management
射陽五洲國際商業廣場管理有限公司 ("Sheyang Commercial Plaza")	2	PRC/ 24 January 2013	RMB1,000,000	100%	Property management
洛陽五洲國際工業博覽城有限公司 ("Luoyang Wuzhou")	2	PRC/ 31 January 2013	RMB60,000,000	51%	Property development
長春市五洲房地產開發有限公司 ("Changchun Wuzhou")	2	PRC/ 22 February 2013	RMB50,000,000	100%	Property development
江陰市五洲國際商業運營有限公司 ("Jiangyin Wuzhou Management")	2	PRC/ 8 April 2013	RMB1,000,000	100%	Property management
瑞安市五洲國際商貿城有限公司 ("Ruian Wuzhou Development")	2	PRC/ 9 April 2013	RMB50,000,000	100%	Property development
杭州潤都物業管理有限公司 ("Hangzhou Rundu Management")	2	PRC/ 28 April 2013	RMB1,000,000	100%	Property management

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries		Place and date of incorporation/ Notes establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held: (continued)</b>					
吉林市五洲國際房地產開發有限公司 ("Jilin Wuzhou Development")	2	PRC/ 8 May 2013	RMB20,000,000	100%	Property development
無錫龍翔商業管理有限公司 ("Longxiang Management")	2	PRC/ 24 June 2013	RMB1,000,000	100%	Property management
無錫龍廣貿易有限公司 ("Wuxi Longguang Trade")	1	PRC/ 8 July 2013	US\$30,000,000	100%	Trade
菏澤市牡丹區五洲置業有限公司 ("Heze Wuzhou Development")	2	PRC/ 17 July 2013	RMB50,000,000	60%	Property development
牡丹江五洲國際商貿博覽城有限公司 ("Mudanjiang Wuzhou Development")	1	PRC/ 25 July 2013	HK\$195,000,000	100%	Property development
南通五洲物業運營有限公司 ("Nantong Management")	2	PRC/ 13 August 2013	RMB1,000,000	100%	Property management
無錫龍泰商業管理有限公司 ("Longtai Management")	1	PRC/ 15 August 2013	US\$5,000,000	100%	Property management
保山五洲國際商業運營有限公司 ("Baoshan Wuzhou Management")	2	PRC/ 19 August 2013	RMB1,000,000	100%	Property management
江蘇通潤置業有限公司 ("Jiangsu Tongrun Development")	1	PRC/ 26 August 2013	US\$55,000,000	100%	Property development
長春市中南房地產開發有限公司 ("Changchun Zhongnan Development")	1	PRC/ 29 August 2013	RMB200,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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## 21. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries		Place and date of incorporation/ Notes establishment	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held: (continued)</b>					
牡丹江五洲國際商業運營有限公司 ("Mudanjiang Wuzhou Management")	2	PRC/ 1 October 2013	RMB1,000,000	100%	Property management
鄭州五洲國際工業博覽城房地產有限公司 ("Zhengzhou Wuzhou Development")	2	PRC/ 11 October 2013	RMB50,000,000	100%	Property development
瑞安市五洲國際商業管理有限公司 ("Ruian Wuzhou Management")	2	PRC/ 17 October 2013	RMB1,000,000	100%	Property management
宜興五洲立盛商業發展有限公司 ("Yixing Wuzhou Lisheng Development")	1	PRC/ 29 October 2013	US\$30,000,000	51%	Property development
洛陽通潤物業管理有限公司 ("Luoyang Tongrun Management")	2	PRC/ 3 December 2013	RMB1,000,000	100%	Property management
陝西五洲商業投資有限公司 ("Shaanxi Wuzhou Development")	2	PRC/ 6 December 2013	RMB30,000,000	100%	Property development

Note 1: Registered as wholly-foreign-owned entities under the PRC law.

Note 2: Registered as limited liability companies under the PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**21. INVESTMENTS IN SUBSIDIARIES** (continued)

The English name of certain group companies registered in the People's Republic of China ("PRC") represent the best efforts made by management of the Company to translate their Chinese names as they do not have an official English name.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

	<b>2013</b>	2012
Percentage of equity interests held by non-controlling interests:		
Wuxi Longan	<b>35.7%</b>	35.7%
Wuxi Longteng	<b>41.0%</b>	41.0%
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Wuxi Longan	<b>4,279</b>	60,494
Wuxi Longteng	<b>85,676</b>	(6,029)
Accumulated balances of non-controlling interests at the reporting dates:		
Wuxi Longan	<b>212,939</b>	208,660
Wuxi Longteng	<b>95,221</b>	9,545

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**21. INVESTMENTS IN SUBSIDIARIES** (continued)

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

	Wuxi Longan RMB'000	Wuxi Longteng RMB'000
<b>2013</b>		
Revenue	269,382	506,784
Fair value gain	28,794	46,274
Total expense	(286,191)	(344,092)
Profit and total comprehensive income for the year	11,985	208,966
Current assets	340,801	375,339
Non-current assets	838,364	225,016
Current liabilities	(228,901)	(194,537)
Non-current liabilities	(353,796)	(173,571)
Net cash flows from operating activities	57,289	92,401
Net cash flows used in investing activities	(20,389)	(133,945)
Net cash flows from/(used in) financing activities	(53,870)	18,691
Net decrease in cash and cash equivalents	(16,970)	(22,853)
<b>2012</b>		
Revenue	236,726	386
Fair value gain	135,907	9,177
Total expense	(223,773)	(24,267)
Profit and total comprehensive income for the year	148,860	(14,704)
Current assets	664,694	699,666
Non-current assets	797,094	49,237
Current liabilities	(450,527)	(724,119)
Non-current liabilities	(426,778)	(1,503)
Net cash flows from/(used in) operating activities	68,309	(90,847)
Net cash flows used in investing activities	(54,182)	(17,247)
Net cash flows from/(used in)used in financing activities	(59,309)	52,375
Net decrease in cash and cash equivalents	(45,182)	(55,719)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 22. INVESTMENTS IN ASSOCIATES

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Share of net assets	<b>41,128</b>	41,784

## (a) Particulars of the associates

Name of Company	Place and year of incorporation/ establishment	Paid-in capital RMB'000	Percentage of equity interests attributable to the Group	Principal activities
Wuxi Bonan Property Co., Ltd.*	Wuxi, PRC 2009	30,000	20%	Property development
Wuxi Longhe Property Co., Ltd.*	Wuxi, PRC 2009	50,000	25%	Property development
Wuxi Wuzhou Xiangjiang Housing Co., Ltd.*	Wuxi, PRC 2013	5,000	49%	Trade

\* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**22. INVESTMENTS IN ASSOCIATES** (continued)

- (b) The following table illustrates the summarised financial information of the Group's associates shared by the Group:

**Wuxi Bonan Property Co., Ltd**

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Non-current assets	122,664	128,411
Current assets	220,886	250,271
Non-current liabilities	(28,297)	(128,297)
Current liabilities	(169,285)	(97,728)
Equity	145,968	152,657
Proportion of the Group's ownership	20%	20%
Carrying amount of the investment	29,194	30,531
Revenue	24,294	155,653
Expenses	(30,965)	(114,669)
Tax	(18)	(10,959)
Profit/(loss) for the year	(6,689)	30,025
Group's share of gain/(loss) for year	(1,338)	6,005

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**22. INVESTMENTS IN ASSOCIATES** (continued)

- (b) The following table illustrates the summarised financial information of the Group's associates shared by the Group: (continued)

**Wuxi Longhe Property Co. Ltd.**

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Non-current assets	81	92
Current assets	740,341	590,105
Non-current liabilities	(150,000)	(90,000)
Current liabilities	(549,248)	(455,188)
Equity	41,174	45,009
Proportion of the Group's ownership	25%	25%
Carrying amount of the investment	10,293	11,253
Revenue	–	–
Expenses	(3,835)	(3,956)
Tax	–	–
Loss for the year	(3,835)	(3,956)
Group's share of loss for year	(959)	(989)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**22. INVESTMENTS IN ASSOCIATES** (continued)

- (b) The following table illustrates the summarised financial information of the Group's associates shared by the Group: (continued)

**Wuxi Wuzhou Xiangjiang Housing Co., Ltd**

	2013 RMB'000	2012 RMB'000
Non-current assets	86	–
Current assets	3,649	–
Non-current liabilities	–	–
Current liabilities	(386)	–
Equity	3,349	–
Proportion of the Group's ownership	49%	–
Carrying amount of the investment	1,641	–
Revenue	–	–
Expenses	(1,651)	–
Tax	–	–
Loss for the year	(1,651)	–
Group's share of loss for year	(809)	–

**23. AVAILABLE-FOR-SALE INVESTMENTS**

	Group 2013 RMB'000	2012 RMB'000
Unlisted equity investments, at cost	10,000	10,000

The available-for-sale investment as at 31 December 2013 is solely represented by equity investment in Jiujiang Lushan Meijite Small-credit Co., Ltd. ("Meijite", an unlisted company with registered capital of RMB100,000,000), which was designated as an available-for-sale financial asset. The investment was stated at cost because the investment does not have a quoted market price in an active market and, in the opinion of the directors, the fair value of the investment cannot be measured reliably. The Group does not intend to dispose of it in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

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**24. DEFERRED TAX ASSETS AND LIABILITIES**

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

**Deferred tax assets**

	Losses available for offsetting against future taxable profit RMB'000	Unrealised revenue received in advance RMB'000	Payroll and welfare accrual RMB'000	Accrued cost, LAT and expenses RMB'000	Unrealised subsidy income received RMB'000	Deemed sales RMB'000	Total RMB'000
At 1 January 2012	12,744	35,404	4,849	12,985	54,802	17,546	138,330
Deferred tax credited/ (charged) to the income statement during the year (note 10)	27,479	11,714	2,666	17,777	106,904	(17,546)	148,994
At 31 December 2012 and 1 January 2013	40,223	47,118	7,515	30,762	161,706	–	287,324
Deferred tax credited/ (charged) to the income statement during the year (note 10)	41,368	4,561	1,335	59,782	(24,800)	–	82,246
At 31 December 2013	81,591	51,679	8,850	90,544	136,906	–	369,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**24. DEFERRED TAX ASSETS AND LIABILITIES** (continued)

The movements in deferred tax assets and liabilities of the Group during the year are as follows (continued):

**Deferred tax liabilities**

	Fair value adjustment arising from investment properties RMB'000	Fair value adjustment on acquisition date of subsidiaries RMB'000	Gain on business combination RMB'000	Withholding taxes on undistributed profit of the subsidiaries in the PRC RMB'000	Total RMB'000
At 1 January 2012	141,224	42,324	18,760	34,322	236,630
Deferred tax charged/(credited) to the income statement during the year (note 10)	144,363	(4,602)	–	30,432	170,193
At 31 December 2012 and 1 January 2013	<b>285,587</b>	<b>37,722</b>	<b>18,760</b>	<b>64,754</b>	<b>406,823</b>
Deferred tax charged/(credited) to the income statement during the year (note 10)	<b>222,026</b>	<b>(11,180)</b>	<b>–</b>	<b>(24,117)</b>	<b>186,729</b>
At 31 December 2013	<b>507,613</b>	<b>26,542</b>	<b>18,760</b>	<b>40,637</b>	<b>593,552</b>

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

	<b>31 December 2013</b> RMB'000	31 December 2012 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>207,737</b>	224,426
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(431,719)</b>	(343,925)
	<b>(223,982)</b>	(119,499)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**24. DEFERRED TAX ASSETS AND LIABILITIES** (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to 錫惠國稅通 (2013) No 7 tax circular dated 12 December 2013, tax authority assessed that Wuxi Wuzhou Ornament City (the “WFOE”) qualified the article 10.2 of the arrangement between the mainland China and the Hong Kong special administration for the avoidance of double taxation on income (“the Arrangement”) and the requirement stipulated in 國稅函 2009 No. 601. Therefore dividends declared to Hong Kong holding company from its PRC subsidiaries are entitled to a lower withholding tax rate of 5% after the approval.

As at 31 December 2013, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings of RMB1,236,555,000 (2012: RMB636,299,000) that are subject to withholding taxes of the Group’s subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

**25. TRADE AND BILLS RECEIVABLES**

An aged analysis of the Group’s trade and bills receivables as at end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>Group</b> <b>2013</b> <b>RMB’000</b>	2012 RMB’000
Less than 3 months	31,210	13,766
4 to 6 months	8,841	4,272
7 to 12 months	–	68
	<b>40,051</b>	<b>18,106</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**25. TRADE AND BILLS RECEIVABLES** (continued)

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

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Neither past due nor impaired	<b>40,051</b>	18,106

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Prepayments for construction cost	<b>43,030</b>	51,310
Prepayments for acquisition of land use rights	<b>369,998</b>	34,680
Tax recoverable	<b>136,944</b>	127,582
Deposits	<b>352,819</b>	391,322
Other receivables	<b>182,758</b>	91,559
	<b>1,085,549</b>	696,453

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**27. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS**

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Cash and bank balances	1,382,230	909,222
Time deposits	30,660	–
	<b>1,412,890</b>	909,222
Less: Restricted cash	179,546	26,971
Pledged deposits	292,090	126,800
Cash and cash equivalents	<b>941,254</b>	755,451

Pursuant to relevant regulations in PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2013, such restricted cash amounted to RMB179,546,000 (2012: RMB26,971,000).

As at 31 December 2013, bank deposits of RMB292,090,000 (2012: RMB126,800,000) were pledged as security for bank loans, as guarantee deposits in respect of mortgage facilities granted to purchasers of the Group's properties, or as collateral for issuance of bank acceptance notes.

As at 31 December 2013, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**28. TRADE AND BILLS PAYABLES**

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Less than 1 year	<b>2,590,035</b>	1,666,854
Over 1 year	<b>117,905</b>	265,833
	<b>2,707,940</b>	1,932,687

The trade and bills payables are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade and bills payables by the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

**29. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS**

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000	<b>Company</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Advances from third parties	<b>75,230</b>	19,500	–	–
Advances from non-controlling shareholders of subsidiaries	<b>152,752</b>	210,459	–	–
Advances from government	–	11,680	–	–
Deposits related to construction	<b>149,246</b>	106,728	–	–
Rental deposits	<b>52,090</b>	40,017	–	–
Payroll and welfare payable	<b>49,801</b>	37,122	<b>52</b>	–
Rental collection on behalf of third parties	<b>17,268</b>	14,677	–	–
Accruals	<b>31,837</b>	29,408	–	–
Business tax and surcharges	<b>37,292</b>	18,322	–	–
Deposits related to sales of properties	<b>103,101</b>	154,982	–	–
Maintenance fund	<b>31,010</b>	25,445	–	–
Others	<b>9,810</b>	9,054	–	–
	<b>709,437</b>	677,394	<b>52</b>	–

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**30. ADVANCES FROM CUSTOMERS**

Advances from customers represented the sales proceeds received from buyers in connection with the Group's pre-sale of properties by the end of the reporting period and the commercial management service fee received from lessees.

**31. INTEREST-BEARING BANK AND OTHER BORROWINGS**

Group	2013			2012		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Current						
Bank loans – secured	6.72 – 7.80	2014	50,000	6.72 – 7.20	2013	85,900
Trust financing – secured	13.00	2014	50,000	10.00 – 14.80	2013	190,000
Current portion of long term bank loans – secured	6.55 – 8.52	2014	699,258	4.60 – 9.98	2013	402,580
Current portion of long term trust financing – secured	11.50 – 14.50	2014	282,450	13.00	2013	94,000
			1,081,708			772,480
Non-current						
Bank loans – secured	6.55 – 9.53	2023	1,776,740	6.55 – 8.52	2021	1,233,440
Trust financing – secured	14.00 – 14.50	2015	328,930	16.80	2014	393,640
			2,105,670			1,627,080
			3,187,378			2,399,560

The Group's borrowings are all denominated in RMB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

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

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Analysed into:		
Repayable within one year	<b>1,081,708</b>	772,480
Repayable in the second year	<b>1,190,330</b>	1,005,540
Repayable in the third to fifth years	<b>601,740</b>	163,700
Repayable over five years	<b>313,600</b>	457,840
Subtotal	<b>2,105,670</b>	1,627,080
	<b>3,187,378</b>	2,399,560

The Group's bank loans are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	<b>31 December</b> <b>2013</b> <b>RMB'000</b>	31 December 2012 RMB'000
Property, plant and equipment (note 14)	<b>126,056</b>	128,315
Investment properties (note 15)	<b>2,074,269</b>	1,039,978
Prepaid land lease payments (note 16)	<b>470,351</b>	173,655
Properties under development (note 17)	<b>2,052,450</b>	2,491,862
Completed properties held for sale (note 18)	<b>275,511</b>	209,796
Pledged deposits	<b>1,801</b>	83,480

As at 31 December 2012, Wuzhou International Investment Limited granted a share pledge of one share in Hong Kong Wuzhou, representing its entire issued share capital, in favor of the Bank of Communications, Hong Kong Branch, to secure its bank loan of RMB81,080,000. Such bank loan has been repaid in January 2013.

The fair values of interest-bearing bank loans and other borrowings repayable at the end of the reporting period approximated to their corresponding carrying amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**32. SHARE CAPITAL****Shares**

	<b>2013</b> <b>USD'000</b>	2012 USD'000
Authorised: 10,000,000,000 (2012: 5,000,000) ordinary shares of USD\$0.01 each	<b>100,000</b>	50

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Issued and fully paid: 4,655,977,914 (2012:3,422,161,914) ordinary shares of USD\$0.01 each	<b>292,893</b>	216,659

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 with an initial authorised share capital of US\$50,000 divided into 5,000,000 shares of a par value of US\$0.01 each. On the date of incorporation, 1 ordinary share of US\$0.01 was allotted and issued by the Company to Boom Win Holdings Limited. On 13 August 2012, 3,422,161,913 ordinary shares of US\$0.01 each, credited as fully paid, were allotted and issued to Boom Win Holdings Limited.

On 31 May 2013, 1,140,740,000 ordinary shares of USD\$0.01 each were issued under the Global Offering. The proceeds of USD\$11,407,400 (equivalent to RMB70,482,902) representing the par value of the shares issued were credited to the Company's issued capital. The remaining proceeds of HK\$1,303,223,141 (equivalent to RMB1,038,147,548), before share issue expenses, were credited to the Company's share premium account. The shares of the Company were listed on the Stock Exchange on the same date.

On 5 July 2013, 93,076,000 ordinary shares of USD\$0.01 each were issued by partial execution of over-allotment option. The proceeds of USD\$930,760 (equivalent to RMB5,750,887) representing the par value of the shares issued were credited to the Company's issued capital. The remaining proceeds of HK\$106,333,430 (equivalent to RMB84,705,210), before share issue expenses, were credited to the Company's share premium account.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**32. SHARE CAPITAL** (continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2012	–	–	–	–
Share issue	3,422,161,914	216,659	–	216,659
At 31 December 2012 and 1 January 2013	<b>3,422,161,914</b>	<b>216,659</b>	<b>–</b>	<b>216,659</b>
Share issue	<b>1,233,816,000</b>	<b>76,234</b>	<b>1,122,853</b>	<b>1,199,087</b>
	<b>4,655,977,914</b>	<b>292,893</b>	<b>1,122,853</b>	<b>1,415,746</b>
Share issue expenses	–	–	(46,692)	(46,692)
Proposed final dividend	–	–	(128,119)	(128,119)
At 31 December 2013	<b>4,655,977,914</b>	<b>292,893</b>	<b>948,042</b>	<b>1,240,935</b>

**Share options**

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

**33. SENIOR NOTES**

On 26 September 2013, the Company issued senior notes in an aggregate principal amount of USD100,000,000 ("the Notes"). The Notes are listed on the Stock Exchange of Hong Kong Limited. The Notes carry interest at the rate of 13.75% per annum, payable semi-annually on 26 March and 26 September in arrears, and will mature on 26 September 2018, unless redeemed earlier.

Period	Redemption price
2016	106.8750%
2017	103.4375%

At any time and from time to time prior to 26 September 2016, the Company may redeem up to 35% of the aggregate principal amount of the Notes with proceeds from one or more sales of certain kinds of its capital stock at a redemption price of 113.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**33. SENIOR NOTES** (continued)

The Notes recognised in the balance sheet were calculated as follows:

	<b>Group and Company</b> RMB'000
Carrying amount as at 1 January 2013	–
Additions	586,690
Exchange gains	(3,184)
Interest expenses (note 7)	22,544
Coupon paid	–
<b>Carrying amount as at 31 December 2013</b>	<b>606,050</b>

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption option is insignificant on initial recognition and as at 31 December 2013.

**34. SHARE-BASED PAYMENT TRANSACTION****(a) Pre-IPO share award scheme**

Pursuant to the board resolution dated 30 September 2012, the Group established a pre-IPO share award scheme (the "Share Award Scheme"). Under the Share Award Scheme, Mr. Shu Brothers, the Controlling Shareholders and directors of the Group, transferred 1% of the Company's shares (representing 34,221,619 shares, the "Awarded Shares") held by them through Boom Win to 7 employees of the Group. The share transfer was completed on 12 October 2012. The objective of the Share Award Scheme is to recognise the contributions of certain employees of the Group and providing incentives.

The Awarded Shares, subject to a vesting period, are being held by the trust on behalf of the grantees. The vesting period is five years, from the beginning of each instalment, during which 24%, 24%, 24%, 14% and 14% of the Award Shares granted to employee will vest on each of the five anniversaries of the first vesting date. The first vesting date is 1 January of the year following the successful listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The fair value of the Awarded Shares granted under the Share Award Scheme on 30 September 2012 was RMB14,246,971, which was determined by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, using the income approach. The significant input into the approach was estimated fair value of shares at the grant date. The consideration of the above 1% equity interests of the Company is RMB8,411,805.

The Awarded Shares are contingent at grant date and are subject to the cancellation in the event of resignation of the grantee; and the vesting conditions of the shares successfully listed on The Stock Exchange of Hong Kong Limited and satisfactory performance of such employee based on his or her annual performance appraisal. During the year ended 31 December 2013, the Group recognised an expense in relation to the Awarded Shares granted to certain employees of the Group amounting to approximately RMB2,088,000 (2012: nil) as the vesting condition was probable since the Listing Date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**34. SHARE-BASED PAYMENT TRANSACTION** (continued)**(b) Share option scheme**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Pursuant to the board resolution dated 24 September 2013, the Company has granted share options under the Scheme adopted on 27 May 2013 to certain directors (including independent non-executive directors) and the employees of the Company and its subsidiaries (the "Grantee(s)") which, subject to the acceptance of the share Option by the Grantees, will enable the Grantees to subscribe for an aggregate of 93,119,611 new shares of US\$0.01 each (the "Share(s)") in the share capital of the Company, representing approximately 2% of the issued share capital of the Company.

The grant of Share Options to each of the above directors and/or substantial shareholder and chief financial officer of the Company has been approved by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company are subject to shareholders' approval in advance in a general meeting.

The Share Options are exercisable during the following periods:

- (i) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 12 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board; and
- (ii) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 24 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board; and
- (iii) up to 40% of the Share Options granted to each Grantee at any time after the expiration of 36 months from the Date of Grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**34. SHARE-BASED PAYMENT TRANSACTION** (continued)**(b) Share option scheme** (continued)

The exercise price of share options is HK\$1.27 per share, representing the highest of

- (i) the closing price of HK\$1.270 per Share as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Date of Grant;
- (ii) the average closing price of HK\$1.256 per Share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and
- (iii) the nominal value of a Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

	<b>2013</b>		2012	
	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options '000</b>	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	–	–	–	–
Granted during the year	1.27	93,119	–	–
Forfeited during the year	1.27	(6,500)	–	–
At 31 December	1.27	86,619	–	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**34. SHARE-BASED PAYMENT TRANSACTION** (continued)**(b) Share option scheme** (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

**2013**

Number of options '000	Exercise price HK\$ per share	Exercise period
50,528	1.27	13-9-24 to 14-9-23
24,542	1.27	14-9-24 to 15-9-23
11,549	1.27	15-9-24 to 16-9-23
86,619		

The fair value of the share options granted during the year was HK\$33,084,001 (HK\$0.355 each) (2012: N/A), of which the Group recognised a share option expense of RMB3,036,442 (2012: N/A) during the year ended 31 December 2013.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013
Dividend yield (%)	–
Expected volatility (%)	35.24
Risk-free interest rate (%)	0.9
Expected life of options (year)	4
Weighted average share price (HK\$ per share)	1.27

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**34. SHARE-BASED PAYMENT TRANSACTION** (continued)**(b) Share option scheme** (continued)

At the end of the reporting period, the Company had 86,619,378 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 86,619,378 additional ordinary shares of USD0.01 of the Company and additional share capital of RMB5,281,097 and share premium of RMB81,209,400 (before issue expenses).

At the date of approval of these financial statements, the Company had 86,619,378 share options outstanding under the Scheme, which represented approximately 1.86% of the Company's shares in issue as at that date.

**35. RESERVES****(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

**Reserve fund**

PRC laws and regulations require wholly-owned foreign enterprises ("WFOE") to provide for the reserve fund by appropriating a part of the net profit, as determined under the PRC accounting rules and regulations, before dividend distribution. Each subsidiary being WFOE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of such fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

**Statutory surplus reserve**

Each of the non-foreign invested subsidiaries in Mainland China is required to transfer 10% of its profit after taxation, as determined under the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The statutory surplus reserve can be used to offset accumulated losses or convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 35. RESERVES (continued)

## (b) Company

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2012 and 31 December 2012	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(58,281)	(58,281)
Issuance of new shares	1,122,853	–	–	–	1,122,853
Share issue expenses	(46,692)	–	–	–	(46,692)
Equity-settled share-based payment arrangements	–	–	5,124	–	5,124
Proposed final 2013 dividend	(128,119)	–	–	–	(128,119)
Balance at 31 December 2013	948,042	–	5,124	(58,281)	894,885

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 36. DISPOSAL OF A SUBSIDIARY

	2013 RMB'000	2012 RMB'000
Net assets disposed of:		
Property, plant and equipment	367	9
Prepayments, deposits and other receivables	3,120	2,047
Loans receivables	–	313,868
Cash and bank balances	1,325	2,899
Other payables, deposits received and accruals	(2,154)	(18,407)
Advances from customers	(784)	–
Interest-bearing bank loans and other borrowings	–	(90,000)
Tax payable	–	(533)
	<b>1,874</b>	209,883
Non-controlling interests	–	(62,965)
Gain/(loss) on disposal of a subsidiary	<b>1,226</b>	(6,918)
Satisfied by cash	<b>3,100</b>	140,000

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

	2013 RMB'000	2012 RMB'000
Cash consideration	<b>3,100</b>	140,000
Cash and bank balances disposed of	<b>(1,325)</b>	(2,899)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<b>1,775</b>	137,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**37. CONTINGENT LIABILITIES**

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Guarantees given to banks in facilities granted to purchasers of the Group's properties <sup>(1)</sup>	<b>1,002,899</b>	518,609
Guarantees given to banks in connection with facilities granted to third parties <sup>(2)</sup>	—	35,000
Guarantees given to banks in connection with facilities granted to Meijite <sup>(3)</sup>	—	56,000
	<b>1,002,899</b>	609,609

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

The Group did not incur any material losses during the year 2013 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks in connection with banking facilities granted to third parties. The directors consider that no provision is needed in respect of the guarantees.
- (3) The Group provided guarantees to banks in connection with banking facilities granted to Meijite. The Group held a 10% equity interest in Meijite during the years 2012 and 2013(note 23).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**38. OPERATING LEASE ARRANGEMENTS****As lessor**

The Group leases out its investment properties (note 15) under operating lease arrangements with leases negotiated from terms ranging from 1 to 20 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Within one year	80,763	58,452
In the second to fifth years, inclusive	300,705	267,777
After five years	888,673	742,336
	<b>1,270,141</b>	1,068,565

**As lessee**

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b> <b>2013</b> <b>RMB'000</b>	2012 RMB'000
Within one year	5,755	4,731
In the second to fifth years, inclusive	2,800	5,260
After five years	—	180
	<b>8,555</b>	10,171

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**39. COMMITMENTS**

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	<b>Group</b>	2012
	<b>2013</b>	RMB'000
	<b>RMB'000</b>	RMB'000
Contracted, but not provided for:		
– Acquisition of land use rights	<b>182,858</b>	133,880
– Properties under development	<b>1,884,974</b>	1,630,025

**40. RELATED PARTY TRANSACTIONS****(1) Name and relationship**

<b>Name of related party</b>	<b>Relationship with the Group</b>
The Shu Brothers	Ultimate controlling shareholders
Boom Win Holding Limited (“Boom Win”)	Ultimate holding company
Wuxi Longhe Property Co., Ltd. (“Wuxi Longhe”)	Associated company
Wuxi Bonan Property Co., Ltd. (“Wuxi Bonan”)	Associated company
Wuxi Wuzhou Xiangjiang Housing Co., Ltd (“Wuxi Xiangjiang”)	Associated company
Wuxi Wuzhou Investment Co., Ltd. (“Wuzhou Investment”)	Company controlled by The Shu Brothers
Hong Kong Wuzhou International Group Investment Limited (“Wuzhou Int’l Group Investment”)	Company controlled by The Shu Brothers
Shenzhen Continent Investment Development Co., Ltd. (“Shenzhen Continent”)	Company under significant influence by the Shu Brothers
Ms. Zhu Lijuan	Mr. Shu Cecheng’s wife
Ms. Qi Xueqing	Mr. Shu Cewan’s wife



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 40. RELATED PARTY TRANSACTIONS (continued)

## (2) Related party transactions

The following transactions were carried out with related parties during the year:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
(i) Advances to shareholders:		
– The Shu Brothers	12,269	37,525
Recovery of advances to shareholders:		
– The Shu Brothers	12,269	40,575
Advances from shareholders:		
– The Shu Brothers	17,731	230,155
Repayment of advances from shareholders:		
– The Shu Brothers	35,867	462,284
(ii) Recovery of advances to a related party:		
– Ms. Qi Xueqing	–	7,974
Repayment of advances from a related party:		
– Ms. Zhu Lijuan	–	5,000
(iii) Advances to related companies:		
– Wuzhou Investment	75,698	513,215
– Wuxi Longhe	–	41,832
– Shenzhen Continent	64,242	140,629
– Wuzhou Int'l Group Investment	–	88
Recovery of advances to related companies:		
– Wuzhou Investment	287,885	449,422
– Wuxi Longhe	94,622	521
– Shenzhen Continent	102,694	130,723
– Wuzhou Int'l Group Investment	88	–
Advances from related companies:		
– Wuzhou Investment	805,997	2,037,069
– Wuzhou Int'l Group Investment	–	190,059
– Boom Win	–	26,600
– Wuxi Longhe	–	400
– Shenzhen Continent	15,000	38,019
Repayment of advances from related companies:		
– Wuzhou Investment	1,231,864	1,935,972
– Wuxi Longhe	–	500
– Shenzhen Continent	53,752	175,729

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**40. RELATED PARTY TRANSACTIONS** (continued)**(3) Outstanding balances with related parties****The Group**

	<b>31 December 2013 RMB'000</b>	31 December 2012 RMB'000
Due from related companies:		
– Wuxi Longhe	–	94,622
– Wuzhou Int'l Group Investment	–	88
	–	94,710
Due to shareholders:		
– Mr. Shu Cecheng	–	18,136
Due to related companies:		
– Wuxi Longhe	–	213,680
– Wuzhou Int'l Group Investment	–	300
	–	213,980

Balances with the related party were unsecured and non-interest-bearing and had no fixed repayment terms.

**(4) Compensation of key management personnel of the Group**

	<b>2013 RMB'000</b>	2012 RMB'000
Short term employee benefits	<b>10,947</b>	3,048
Equity-settled share-based payment expenses	<b>1,024</b>	–
Pension scheme contributions and social welfare	<b>352</b>	239
Total compensation paid to key management personnel	<b>12,323</b>	3,287

Further details of directors' emoluments are included in note 8 to the Financial Information.

**(5) Outstanding balances with related parties of the Company**

As at 31 December 2013, the amounts due from subsidiaries and due to subsidiaries as included in the Company's current assets and current liabilities of RMB1,928,583,000 (2012: RMB216,659,000) and RMB6,584,000 (2012: nil), respectively. They are unsecured, interest-free and are repayable on demand or within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December, 2013

<b>Financial assets</b>	<b>Group Equity investments and loans and receivables at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Financial assets included in prepayments, deposits and other receivables (note 26)	182,758	182,758
Trade and bills receivables (note 25)	40,051	40,051
Restricted cash (note 27)	179,546	179,546
Pledged deposits (note 27)	292,090	292,090
Cash and cash equivalents (note 27)	941,254	941,254
	<b>1,635,699</b>	<b>1,635,699</b>

<b>Financial liabilities</b>	<b>Group Financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Trade and bills payables (note 28)	2,707,940	2,707,940
Financial liabilities included in other payables, deposits received and accruals (note 29)	323,362	323,362
Interest-bearing bank loans and other borrowings (note 31)	3,187,378	3,187,378
Senior notes (note 33)	606,050	606,050
	<b>6,824,730</b>	<b>6,824,730</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

**41. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

**31 December, 2012**

Financial assets	Group Equity investments and loans and receivables at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables (note 26)	91,559	91,559
Trade and bills receivables (note 25)	18,106	18,106
Due from related companies (note 40)	94,710	94,710
Restricted cash (note 27)	26,971	26,971
Pledged deposits (note 27)	126,800	126,800
Cash and cash equivalents (note 27)	755,451	755,451
	<b>1,113,597</b>	<b>1,113,597</b>

Financial liabilities	Group Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables (note 28)	1,932,687	1,932,687
Financial liabilities included in other payables, deposits received and accruals (note 29)	195,994	195,994
Interest-bearing bank and other borrowings (note 31)	2,399,560	2,399,560
Due to shareholders (note 40)	18,136	18,136
Due to related companies (note 40)	213,980	213,980
	<b>4,760,357</b>	<b>4,760,357</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

31 December, 2013

<b>Financial assets</b>	<b>Company Equity investments and loans and receivables at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Due from subsidiaries	1,928,583	1,928,583
	1,928,583	1,928,583

<b>Financial liabilities</b>	<b>Company Financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Financial liabilities included in other payables, deposits received and accruals (note 29)	52	52
Due to subsidiaries	6,584	6,584
Senior notes (note 33)	606,050	606,050
	612,686	612,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**41. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)**31 December, 2012**

Financial assets	Company Equity investments and loans and receivables at amortised cost RMB'000	Total RMB'000
Due from subsidiaries	216,659	216,659
	216,659	216,659

**42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, due from related companies, trade and bills receivables, financial assets included in prepayments, and other receivables, trade and bills payables, financial liabilities included in other payables, received and accruals, current portion of interest-bearing bank loans and other borrowings, senior notes, due to shareholders, due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of non-current portion of interest-bearing bank loans, other borrowings and senior notes approximate to their carrying amounts largely due to such borrowings are made between the Group and independent third party based on prevailing market interest rate.

**43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, financial instruments at fair value through profit or loss, trade and bills receivables, and trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, amounts with directors, amounts with related companies, amount due to a related party, and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

**(a) Interest rate risk**

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings set out in note 31 and senior notes set out in note 33. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

On 31 December 2013, if the interest rate of bank borrowings had increased/decreased by 0.5% and all other variables held constant, the profit before tax for the year of the Group would have decreased/increased by approximately RMB2,631,000 (2012: RMB1,211,000).

**(b) Foreign currency risk**

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**(b) Foreign currency risk** (continued)

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the Hong Kong dollar (“HK\$”) and the US dollar (“US\$”) exchange rate, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Rate %	Increase/ (decrease) in profit before tax RMB’000
<b>Year ended 31 December 2013</b>		
If HK\$ weakens against RMB	-5%	(122)
If HK\$ strengthens against RMB	+5%	122
If US\$ weakens against RMB	-5%	22,539
If US\$ strengthens against RMB	+5%	(22,539)

**(c) Credit risk**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to customers.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debts losses during the year 2013.

The credit risk of the Group’s other financial assets, which mainly comprise cash and pledged deposits, other receivables, amounts due from directors, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (d) Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2013</b>					
Interest-bearing bank loans and other borrowings	–	180,561	1,149,345	2,384,492	3,714,398
Senior notes	–	41,916	41,916	945,020	1,028,852
Trade and bills payables	2,453,555	92,148	162,237	–	2,707,940
Other payables	323,362	–	–	–	323,362
	<b>2,776,917</b>	<b>314,625</b>	<b>1,353,498</b>	<b>3,329,512</b>	<b>7,774,552</b>

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2012</b>					
Interest-bearing bank loans and other borrowings	–	54,358	889,384	1,793,984	2,737,726
Trade and bills payables	1,915,344	16,343	1,000	–	1,932,687
Other payables	195,994	–	–	–	195,994
Due to shareholders	18,136	–	–	–	18,136
Due to related companies	213,980	–	–	–	213,980
	<b>2,343,454</b>	<b>70,701</b>	<b>890,384</b>	<b>1,793,984</b>	<b>5,098,523</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 

31 December 2013

**43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**(e) Capital management**

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing loans and borrowings, trade and other payables, advances from customers, an amount due to shareholders and amounts due to related parties less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of reporting periods were as follows:

	<b>31 December 2013 RMB'000</b>	31 December 2012 RMB'000
Trade and bills payables	2,707,940	1,932,687
Other payables, deposits received and accruals	709,437	677,394
Advances from customers	3,071,363	2,737,177
Interest-bearing bank and other borrowings	3,187,378	2,399,560
Senior notes	606,050	–
Due to shareholders	–	18,136
Due to related companies	–	213,980
Less: Cash and cash equivalents	(941,254)	(755,451)
Net debt	<b>9,340,914</b>	7,223,483
Equity attributable to owners of the parent	<b>3,497,744</b>	1,319,693
Total capital and net debt	<b>12,838,658</b>	8,543,176
Gearing ratio	<b>73%</b>	85%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

### 44. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2014, the Company issued an additional USD100,000,000, 13.75% senior notes due 2018, which will be consolidated and form a single class with the USD100,000,000, 13.75% senior notes due 2018, that was issued on 26 September 2013.

### 45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2014.

# FINANCIAL SUMMARY

Year ended 31 December 2013

## RESULTS

	For the year ended 31 December			2013 RMB'000
	2010 RMB'000 (Note 1)	2011 RMB'000 (Note 1)	2012 RMB'000 (Note 1)	
Revenue	875,794	1,515,769	2,253,240	4,049,567
Profit before taxation	414,633	647,376	1,262,504	1,789,185
Income tax expense	(124,908)	(274,108)	(508,620)	(668,944)
Profit for the year	289,725	373,268	753,884	1,120,241
Attributable to				
Owners of the Company	284,837	313,412	699,711	1,020,036
Non-controlling interests	4,888	59,856	54,173	100,205
	289,725	373,268	753,884	1,120,241

## ASSETS AND LIABILITIES

	At 31 December			2013 RMB'000
	2010 RMB'000 (Note 1)	2011 RMB'000 (Note 1)	2012 RMB'000 (Note 1)	
Total assets	4,247,286	7,330,516	10,433,785	15,421,132
Total liabilities	(3,376,173)	(6,078,594)	(8,788,670)	(11,437,057)
	871,113	1,251,922	1,645,115	3,984,075
Equity attributable to owners of the Company	591,672	822,588	1,319,693	3,497,744
Non-controlling interests	279,441	429,334	325,422	481,517
	871,113	1,251,922	1,645,115	3,984,075

Note:

- The figures for the years ended 31 December 2010, 2011 and 2012 have been extracted from the prospectus of the Company dated 31 May 2013.

# MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

## 1. COMPLETED INVESTMENT PROPERTIES

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
1	Portion of Phase I to Phase III, Wuxi Wuzhou International Ornament City, No. 668 Shengan West Road, Huishan District, Wuxi, Jiangsu Province	Commercial	Medium	37,036.04	100.00%
		Apartment		192.63	
2	Portion of Phase I, Wuxi Wuzhou International Industrial Exhibition City, No. 299 Jincheng East Road, New District, Wuxi, Jiangsu Province	Commercial	Medium	33,162.16	100.00%
3	Portion of Phase I to Phase II, Wuxi Wuzhou International Columbus City, No. 289 Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial	Medium	26,821.62	64.30%
		Underground commercial	Medium	15,352.00	
4	Portions of Phase I to Phase II, Wuxi Wuzhou International Chinese Food Culture Exposition City, East of the junction of Jianghai Road and Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial	Medium	9,512.15	51.00%
5	Portion of Meicun Wuzhou International Plaza, No. 8 Xinyou North Road, Wuxi, Jiangsu Province,	Commercial	Medium	9,873.91	90.00%
		Underground commercial		12,984.00	

MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP 

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
6	Portion of Zone A and Zone B2, Wuxi Wuzhou Commercial Investment Limited, Yangjian Town, Wuxi, Jiangsu Province	Commercial	Medium	12,464.47	100.00%
7	Wuxi New District Columbus Plaza, No. 1 Sujiang Road, New District, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	11,545.12 3,060.08	59.00%
8	Yancheng Wuzhou International Plaza, No. 28 Yingbin South Road, Tinghu District, Yancheng, Jiangsu Province	Commercial Underground commercial	Medium	16,504.84 9,661.00	100.00%
9	Xuyi Wuzhou International Plaza, No. 2 Dongyang Road, Xuyi County Xucheng Town, Huaian, Jiangsu Province	Commercial Underground commercial	Medium	51,813.66 2,100.00	100.00%
10	Wuxi Luoshe Columbus Plaza, Luozhong Road, Huishan District, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	3,067.85 11,711.23	100.00%

## MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

## 2. INVESTMENT PROPERTIES UNDER CONSTRUCTION

No.	Property	Type	Term of land	Status	Percentage of interest of the Company	Expected completion time
1	Portion of Phase IV Hall AB, Wuxi Wuzhou International Ornament City, No. 668 Shengan West Road, Huishan District, Wuxi, Jiangsu Province	Commercial	Medium	Under construction	100.00%	February 2014
2	Portion of Phase II Hall C, Wuxi Wuzhou International Industrial Exhibition City, No. 299 Jinchengdong Road, New District, Wuxi, Jiangsu Province	Exhibition hall	Medium	Under construction	100.00%	June 2014
3	Portion of Phase III, Wuxi Wuzhou International Chinese Food Culture Exposition City, East of the Junction of Jianghai Road and Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Office Commercial Underground commercial	Medium	Under construction	51.00%	May 2014
4	Portion of Phase I Lot I, Rongchang Wuzhou Hardware Ornamental City, No. 3 Yingbin Avenue South, Rongchang County, Chongqing	Exhibition hall Underground exhibition halls	Medium	Under construction	94.00%	October 2014
5	South Parcel of Land, Nantong Wuzhou International Commercial Trade City, No. 98 Zhongxiu Central Road, Chongchuan District, Nantong, Jiangsu Province	Commercial	Medium	Under construction	51.00%	September 2014

MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP 

No.	Property	Type	Term of land	Status	Percentage of interest of the Company	Expected completion time
6	Hangzhou Wuzhou International Plaza, No. 279 Yuhangtang Road, Xihu District, Hangzhou, Zhejiang Province	Commercial Underground commercial	Medium	Under construction	100.00%	June 2014
7	Phase I Exhibition Hall, Dali Wuzhou International Commercial Trade City, Xiaguan Manjiang Area, Dali, Yunnan Province	Exhibition hall	Medium	Under construction	100.00%	June 2014
8	Jiangyin Wuzhou International Plaza, No. 3896 Huangtu Town Cheng Road, Jiangyin, Wuxi, Jiangsu Province	Commercial	Medium	Under construction	90.00%	June 2014
9	Portion of Phase I Lot II, Baoshan Wuzhou International Plaza, Longyang District, Baoshan, Yunnan Province	Commercial	Medium	Under construction	94.00%	December 2014
10	Portion of Phase I, Qianzhou Wuzhou International Plaza, No. 777 Huizhou Avenue, Huishan District Qianzhou Street, Wuxi, Jiangsu Province	Commercial	Medium	Under construction	80.00%	February 2015





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