



**明发集团**  
MINGFA GROUP

**Mingfa Group (International) Company Limited**

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

明发



Annual Report **2013**



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# Corporate Information



## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

Mr. Dai Yiyi  
Mr. Qu Wenzhou  
Mr. Lau Kin Hon

## COMPANY SECRETARY

Mr. Poon Wing Chuen (*FCCA*)

## AUDIT COMMITTEE

Mr. Qu Wenzhou (*chairperson of the committee*)  
Mr. Dai Yiyi  
Mr. Lau Kin Hon

## NOMINATION COMMITTEE

Mr. Dai Yiyi (*chairperson of the committee*)  
Mr. Qu Wenzhou  
Mr. Lau Kin Hon

## REMUNERATION COMMITTEE

Mr. Qu Wenzhou (*chairperson of the committee*)  
Mr. Dai Yiyi  
Mr. Lau Kin Hon

## AUTHORISED REPRESENTATIVES

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

## REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited  
Floor 4, Willow House  
Cricket Square, P O Box 2804  
Grand Cayman KY1-1112  
Cayman Islands

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

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



### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Units 6–8, 23/F, South Tower  
Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

### **COMPANY'S WEBSITE**

[www.ming-fa.com](http://www.ming-fa.com)

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

846

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

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

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

### **PRINCIPAL BANKERS**

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

### **LEGAL ADVISER AS TO HONG KONG LAWS**

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

### **AUDITOR**

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

### **PUBLIC RELATIONS CONSULTANT**

Strategic Financial Relations (China) Limited  
2402, Admiralty Centre 1  
18 Harcourt Road, Hong Kong

## Chairman's Statement



### Dear Shareholders,

On behalf of the Board (the “**Board**”) of Directors (the “**Directors**”) of Mingfa Group (International) Company Limited (“**Mingfa**” or the “**Company**” and together with its subsidiaries, the “**Group**”), I am pleased to present the annual report for the year ended 31 December 2013 (“**the year under review**”).

The year of 2013 has been filled with both challenges and opportunities. Facing an ever-changing market with stringent restrictive controls imposed by the Chinese government, the Group has managed to maintain continuous business growth during the year under review. Moreover, we have made further inroads towards business expansion by tapping new markets, and have achieved fruitful results.

The property market in the PRC during the year under review has remained overheated despite the Chinese government attempts to tighten the market with a host of restrictive measures, such as property purchase limitations in certain cities and credit controls. Property developers have been aggressively stockpiling land reserves, while land prices were soaring to historical high and overall demand remained strong. Moreover, the rising urbanisation in the PRC is expected to spur the long-term housing demand for residential properties and population flows in commercial properties, which would be beneficial to the property industry. As no further property tightening measures have been mentioned, except for a long-term property control mechanism, and meanwhile with the promotion of rural reforms in the Third Plenary Session of the 18th Communist Party of China Central Committee (“**the Third Plenary Session of the 18th CPC Central Committee**”), we are optimistic about the property market in the years ahead and we will continue to cooperate with local governments with an aim to grasp the golden opportunities presented by urbanisation.

As one of the leading players in the industry, we seek to expand our network and ultimately establish a nationwide footprint. Therefore, we have looked beyond our existing markets to tap emerging opportunities during the year

under review. In October 2013, we have started the pre-sale of Beijing Mingfa Mall, our first project in a first-tier city, and have received an unprecedentedly overwhelming favourable response from buyers. In addition, Shanghai Mingfa Shopping Mall is also under construction and is expected to be completed in 2015, further strengthening our foothold in first-tier cities. This success of entering new markets has demonstrated our strong capabilities to be an all-round property developer in the PRC.

Maintaining a prudent financial policy is one of our core philosophies and we strive to diversify our funding sources to maintain high financial flexibility and liquidity. During the year under review, we had a debut issue of senior notes of US\$100 million with a coupon rate of 13.25% due 2018 and up to this date, we have successfully purchased back and redeemed all of our convertible bonds due 2015 and 2016 through internal resources and bank loans. Moreover, we have been offered a credit facilities of RMB5 billion in January 2014 by the Agricultural Bank of China, Xiamen Branch for three years, recognising our high credit reputation and potential value of our business.

Leveraging our leading position in the industry, we have continued to take advantage of the market uptrend and achieved a satisfactory performance during the year under review. For the year under review, the Group achieved revenue of approximately RMB6,269.1 million, representing an increase of approximately 67.6% from the same period of last year. The Group delivered a total gross floor area ("**GFA**") of approximately 787,024 sq.m., an increase of approximately 57.4% as compared to the previous year. In 2013, the Group has also achieved a pleasing transaction performance in the pre-sales of properties. The contracted sales amount for 2013 was approximately RMB6.3 billion, representing an increase of approximately 18.4% compared to the previous year, approximately 549,434 sq.m. of pre-sold GFA have not yet been delivered as at 31 December 2013.

Looking ahead, Mingfa will maintain its prudent strategy while strategically pursue land acquisitions to expand land reserves. We will also continue to maintain a balanced and diversified portfolio mix of residential and commercial properties and strive for the best way for development of our business. We are committed to becoming a leading developer and operator of mega malls in the PRC and will make every endeavours to maximise value and generate the greatest returns for our shareholders and investors.

In closing, I wish to extend my heartfelt appreciation to all of our stakeholders. We are fortunate to have them with us during the year and my special thanks goes to our employees and directors for their hard work and dedication, anchored by the continuous support from our shareholders, customers and business partners.

**Wong Wun Ming**  
*Chairman*

24 March 2014

# Management Discussion and Analysis



## FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2013 (audited)	2012 (audited)	Percentage of increase/ (decrease)
Revenue (RMB'million)	6,269.1	3,741.1	67.6%
Profit attributable to equity holders of the Company (RMB' million)	1,399.2	1,764.7	(20.7%)
Basic earnings per share (RMB cents)	23.0	29.0	(20.7%)
Diluted earnings per share (RMB cents)	18.9	20.4	(7.4%)
Dividend per share (HK cents)	Nil	Nil	N/A

## RESULTS

The audited consolidated revenue of the Group was approximately RMB6,269.1 million for 2013 (2012: approximately RMB3,741.1 million), representing an increase of 67.6% as compared to 2012. The audited profit attributable to equity holders of the Company was approximately RMB1,399.2 million for 2013 (2012: approximately RMB1,764.7 million), representing a decrease of 20.7% as compared to the previous year. The basic and diluted earnings per share were RMB23.0 cents and RMB18.9 cents respectively for 2013 (2012: RMB29.0 cents and RMB20.4 cents respectively), representing a decrease of approximately 20.7% and 7.4% respectively over 2012.

The Board does not recommend payment of final dividend for the year ended 31 December 2013.



### INDUSTRY REVIEW

In the year of 2013, the property market faced the prospect of credit tightening by the People's Bank of China (the "PBOC") and interbanks, the expansion of shadow banking, hefty local governments' debts and a potential property bubble in the PRC. Internationally, concerns arising from the tapering of bond purchases by the U.S. Federal Reserve, rising interest rates and protracted turmoil in emerging markets also have had an impact on the industry. According to the National Bureau of Statistics of China, the growth of the PRC's gross domestic product ("GDP") reached 7.7% in 2013. While outstripping its annual target of 7.5%, the GDP performance was merely a marginal increase compared to previous years.

In spite of looming uncertainties, the property market achieved encouraging results and recorded a high volume in 2013 contributed by strong demand thanks to the rising purchasing power of the population and increasing urbanization in the PRC. The high turnover and rapid cash returns accelerated land acquisition and pushed land costs to another record high, particularly in first-tier cities and the free trade zones promoted in Shanghai and Shenzhen. Urban-rural integration and rural reforms, together with the establishment of a rural property market promulgated at the Third Plenary Session of the 18th CPC Central Committee in November 2013 mean that land use rights will be released to rural residents, forming another spur for demand of properties.

After realizing the magnificent sales during most of 2013, due to previous market absorption and unstable external factors, the strong momentum in the property industry has slowed down. Moreover, the stringent austerity policy and closer monitoring of property prices in an overheated market in first-tier cities decelerated the fast-growing turnover. At the same time, oversupply in second- and third-tier cities created an imbalance in the entire property market. Hence, instead of growing at an overheated rate, the property market seemed inclined to develop more steadily and is expected to experience a stable development trend.

### BUSINESS REVIEW

#### SALES AND EARNINGS

The revenue generated by the Group was approximately RMB6,269.1 million for 2013 (2012: approximately RMB3,741.1 million), representing an increase of 67.6% as compared to 2012. The increase was mainly due to more properties were delivered upon completion as well as the increase in the average sales price ("ASP") from RMB6,958.2 per sq.m. in 2012 to RMB7,425.0 per sq.m. in 2013.



## Management Discussion and Analysis

The gross profit of the Group reached approximately RMB2,201.6 million for 2013, representing an increase of 84.8% over 2012 (2012: approximately RMB1,191.1 million). The increase in the gross profit was in line with the increase in revenue in 2013.

The audited consolidated profit attributable to the equity holders of the Company was approximately RMB1,399.2 million for 2013, representing a decrease of approximately RMB365.5 million or 20.7% from that of 2012 (2012: approximately RMB1,764.7 million). The major reason for the decrease was due to the decrease in disposal gain in 2013. The Group disposed a joint venture in 2012 which generated a pre-tax other gain of RMB1,026.7 million.

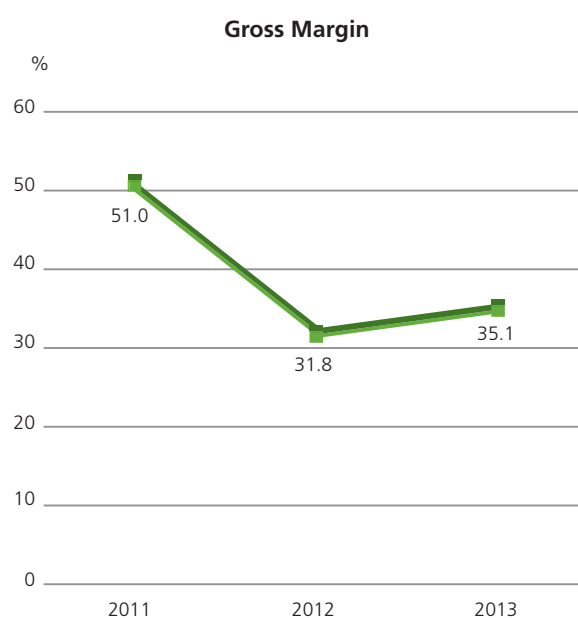
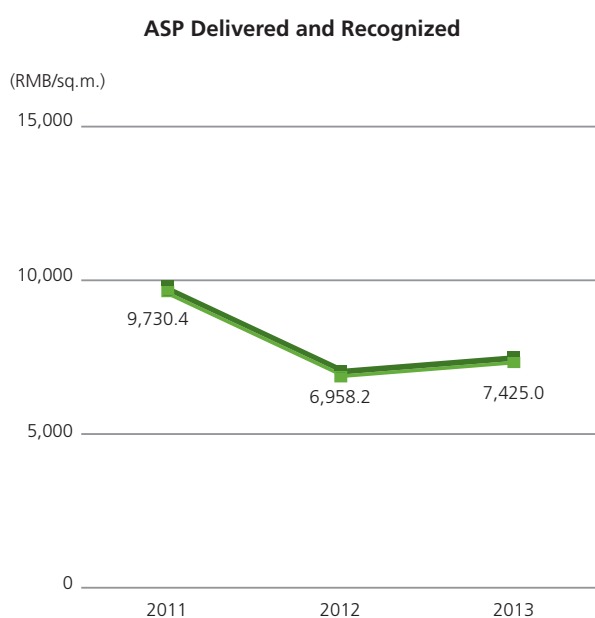
The Group achieved contracted sales of approximately RMB6,320.0 million in 2013 with GFA of 768,145 sq.m. (2012: approximately RMB5,336.5 million and 707,028 sq.m. respectively).

The cost of sales of the Group was RMB4,067.5 million for 2013, representing an increase of approximately 59.5% over 2012 (2012: approximately RMB2,550.0 million). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB4,888.8 per sq.m. for 2013, representing a slight increase of approximately 0.9% over 2012 (2012: average cost of properties included in cost of sales was RMB4,846.9 per sq.m.).

The total GFA sold and delivered by the Group in 2013 was approximately 787,024 sq.m., representing an increase of 57.4% over 2012 (2012: approximately 499,890 sq.m.). Such increase was due to more residential properties in Xiamen Mingfa Xiangwan Peninsula being delivered in 2013 upon full completion.

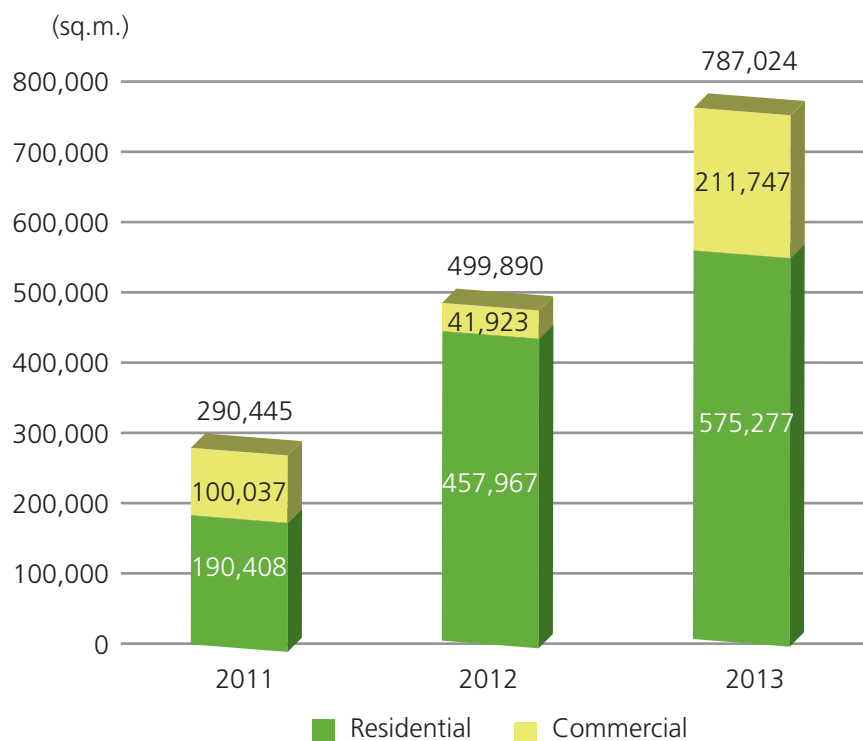
During 2013, the ASP of the Group's properties delivered and recognized as sales was RMB7,425.0 per sq.m. representing an increase of 6.7% over 2012 (2012: RMB6,958.2 per sq.m.). The increase was mainly due to residential properties delivered in 2013 had a higher ASP as compared to those delivered in 2012.



The GFA of the properties delivered by the Group in 2013 and the ASP per sq.m. were as follows:

	Sales Revenue		GFA Delivered		ASP	
	(RMB million)		(sq.m.)		(RMB per sq.m.)	
	2013	2012	2013	2012	2013	2012
Hefei Mingfa Shopping Mall	388.5	197.7	65,566.0	26,147.0	5,925.3	7,561.4
Honglai Mingfa Commercial Centre	28.2	177.6	6,820.0	50,747.0	4,134.9	3,499.7
Huai'an Mingfa Shopping Mall	214.9	0.0	66,037.0	0.0	3,254.2	N/A
Nanjing Mingfa City Square	811.5	637.9	58,261.0	73,973.0	13,928.7	8,623.4
Nanjing Mingfa Pearl Spring Resort	12.5	0.0	767.0	0.0	16,297.3	N/A
Nanjing Mingfa Riverside New Town	566.3	361.1	77,667.0	44,959.0	7,291.4	8,031.8
Nanjing Mingfa Shopping Mall	50.3	98.7	2,867.0	3,084.0	17,544.5	32,003.9
Taizhou Mingfa City Complex	137.8	0.0	33,484.0	0.0	4,115.4	N/A
Wuxi Mingfa International New Town	471.3	539.1	81,894.0	91,566.0	5,755.0	5,887.6
Wuxi Mingfa Shopping Mall	1.2	25.7	410.0	2,223.0	2,926.8	11,561.0
Xiamen Mingfa Shopping Mall	28.2	34.3	992.0	1,403.0	28,427.4	24,447.6
Xiamen Mingfa Xiangwan Peninsula	1,713.1	256.9	173,983.0	26,436.0	9,846.4	9,717.8
Yangzhou Mingfa Shopping Mall	97.6	77.8	6,360.0	4,385.0	15,345.9	17,742.3
Zhangzhou Mingfa Shopping Mall	1,085.8	883.6	159,958.0	138,669.0	6,788.0	6,372.1
Zhenjiang Mingfa Jinxiu Yinshan	159.2	160.4	42,191.0	31,207.0	3,773.3	5,139.9
Others	77.2	27.5	9,767.0	5,091.0	7,904.2	5,438.2
	<b>5,843.6</b>	<b>3,478.3</b>	<b>787,024.0</b>	<b>499,890.0</b>	<b>7,425.0</b>	<b>6,958.2</b>

### Residential and Commercial Properties GFA Delivered



## Management Discussion and Analysis

### PRE-SOLD PROPERTIES

As at 31 December 2013, the GFA of pre-sold properties not yet delivered to the buyers was 549,434 sq.m. (2012: 596,450 sq.m.). Set out below are the details of the properties, the Group's interests and the attributable pre-sold GFA:

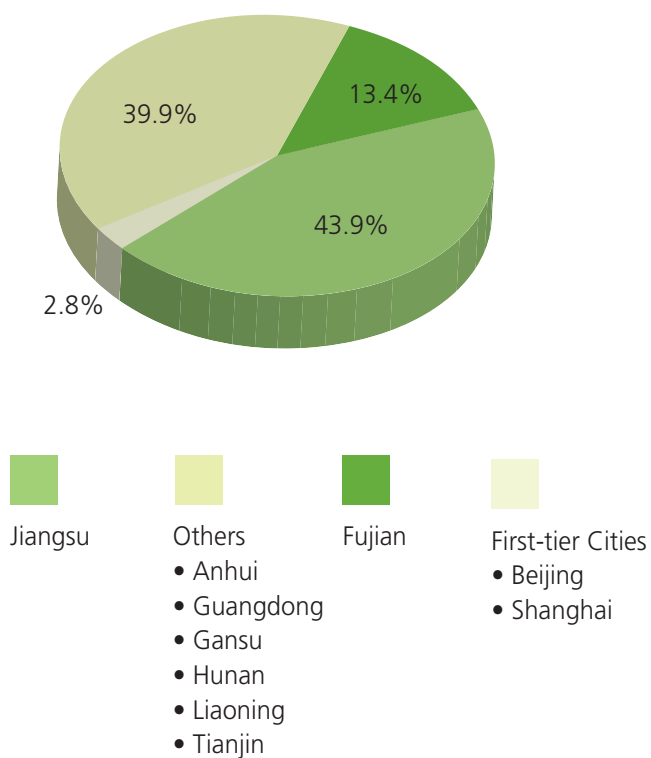
City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Beijing	Beijing Mingfa Mall	100%	51,399
Hefei	Hefei Mingfa Shopping Mall	100%	31,432
Honglai	Honglai Mingfa Commercial Centre	100%	3,758
Huai'an	Huai'an Mingfa Shopping Mall	100%	22,452
Nanjing	Nanjing Mingfa City Square	100%	20,244
Nanjing	Nanjing Mingfa Pearl Spring Resort	100%	6,588
Nanjing	Nanjing Mingfa Riverside New Town	100%	49,871
Nanjing	Nanjing Mingfa Shopping Mall	100%	4,519
Shenyang	Shenyang Mingfa Jinxiu Hua City	100%	73,049
Taizhou	Taizhou Mingfa City Complex	100%	35,427
Wuxi	Wuxi Mingfa International New Town	100%	78,443
Wuxi	Wuxi Mingfa Shopping Mall	70%	3,141
Xiamen	Xiamen Mingfa Harbour Resort	100%	4,168
Xiamen	Xiamen Mingfa Shopping Mall	70%	11,178
Xiamen	Xiamen Mingfa Xiang Wan Peninsula	100%	48,287
Yangzhou	Yangzhou Mingfa Jiangwan City	100%	47,635
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	1,271
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	28,229
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	9,185
Zhengjiang	Zhengjiang Jinxiu Yishan	100%	19,158
<b>Total</b>			<b>549,434</b>

**SUMMARY OF LAND BANK**

As at 31 December 2013, land bank of the Group increased by 16.9% to approximately 10.7 million sq.m. (2012: approximately 9.2 million sq.m.), consisting of 44 projects in total.

	No. of Projects	GFA (million sq.m.)
Completed Projects	19	1.8
Projects under Development	12	4.0
Projects for Future Development	13	4.9
<b>Total</b>	<b>44</b>	<b>10.7</b>

**Total Land Bank by Location as at 31 December 2013**



## Management Discussion and Analysis

The following tables summarize the details of the Group's land bank:

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
<b>Completed properties (held for sale/leasing) (Note 1)</b>								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming district, Xiamen, Fujian Province	Dec/2004	Residential/ Commercial/ Office	Completed	18,247	488	100%	488
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli district, Xiamen, Fujian Province	Dec/2004	Residential/ Commercial/ Office	Completed	5,529	1,903	100%	1,903
Xiamen Mingfa Garden	Located at Huanhuli South, Lvling Road, Siming district, Xiamen, Fujian Province	Apr/2005	Residential/ Commercial	Completed	18,697	15,327	100%	15,327
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli district, Xiamen, Fujian Province	Apr/2005	Residential/Office	Completed	10,257	1,598	100%	1,598
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming district, Xiamen, Fujian Province	Feb/2002	Residential/ Commercial/ Office	Completed	26,016	13,317	100%	13,317
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiaye Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Oct/2007	Commercial/Office/ Hotel	Completed	166,775	36,429	70%	25,500
Xiamen Mingfa Town	Located at Lvling Road, Siming Industrial Park, Siming district, Xiamen, Fujian Province	Jan/2008	Residential/ Commercial	Completed	12,879	15,397	100%	15,397
Xiamen Mingli Garden	Located at Qianpu Keque Road, Siming district, Xiamen, Fujian Province	Jan/2008	Residential	Completed	17,356	383	100%	383
Nanjing Pearl Spring Resort	Located in Pearl Spring Resort, Pukou district, Nanjing, Jiangsu Province	Dec/2008	Residential/Hotel	Completed	112,973	29,860	100%	29,860
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province	Nov/2009	Residential/ Commercial	Completed	1,072,182	148,762	100%	148,762
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Dec/2010	Commercial/Office/ Hotel	Completed	182,588	112,186	100%	112,186
Wuxi Mingfa Shopping Mall	Located in Sitou village and Tangtou village, Yangqiao town, Huishan district, Wuxi, Jiangsu Province	Dec/2011	Residential/ Commercial/ Hotel	Completed	216,643	437,966	70%	306,576
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Dec/2011	Residential/ Commercial/ Office/Hotel	Completed	176,698	223,118	100%	223,118
Yangzhou Mingfa Shopping Mall	Located at south of Yunhe Road East and west of Baolin Road, Guangling district, Yangzhou, Jiangsu Province	Dec/2011	Residential/ Commercial/ Hotel	Completed	145,267	234,941	100%	234,941
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou district, Nanjing, Jiangsu Province	Dec/2012	Residential/ Commercial/ Office	Completed	128,683	112,253	100%	112,253
Honglai Mingfa Commercial Centre	Located at Longlai district, Nanan, Fujian Province	Jun/2012	Residential/ Commercial	Completed	27,065	19,586	100%	19,586
Xiamen Mingfa Xiang Wan Peninsula	Located at east part of Xiang'an Road, Xiang'an, Fujian Province	Dec/2012	Residential/ Commercial	Completed	104,380	85,168	100%	85,168
Zhangzhou Mingfa Shopping Mall	Located at east of Longjiang Road, north of Shuixian Street, west of No.6 Road, south of Xinpu Road, Zhangzhou, Fujian Province	Dec/2013	Residential/ Commercial/ Office/Hotel	Completed	223,589	277,341	100%	277,341
Xiamen Mingfa Harbour Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaweview strip of Huli district, Xiamen, Fujian Province	Dec/2013	Hotel	Completed	58,952	161,705	100%	161,705
<b>Sub-total</b>					<b>2,724,776</b>	<b>1,927,728</b>		<b>1,785,409</b>

## Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
<b>Properties under development (Note 2)</b>								
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec/2015	Residential/ Commercial/ Hotel	Completion certificate had been granted for GFA of 108,277 sq.m. in December 2013. The remaining GFA of 296,401 sq.m. will be completed in December 2015	296,702	331,280	100%	331,280
Huai'an Mingfa Shopping Mall (Block A)	Located at Shenzhen South Road, Huai'an, Jiangsu Province	Dec/2015	Commercial	Approximately 50% of construction has been completed	133,110	266,335	100%	266,335
Huai'an Mingfa Shopping Mall (Block C)	Located at Weihai East Road, Huai'an, Jiangsu Province	Dec/2014	Residential	Completion certificate had been granted for GFA of 86,022 sq.m. in December 2013. The remaining GFA of 68,013 sq.m. will be completed in December 2014	51,345	87,998	100%	87,998
Shenyang Mingfa Jinxiu Hua City	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2014	Residential/ Commercial	Approximately 70% of construction has been completed	61,222	306,110	100%	306,110
Wuxi Mingfa International New Town	Located at south of Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Dec/2014	Residential/ Commercial	Completion certificate had been granted for GFA of 221,630 sq.m. in December 2013. The remaining GFA of 327,931 sq.m. will be completed in December 2014	258,297	376,101	100%	376,101
Yangzhou Mingfa Jiangwan City	Located at east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province	Dec/2014	Residential	Approximately 70% of construction has been completed	158,238	221,533	100%	221,533
Quanzhou Mingfa Huachang International Town	Located in Guanqiao town, Neicuo village, Nanan, Fujian Province	Dec/2015	Commercial	Approximately 45% of construction has been completed	276,120	698,507	50%	349,253
Taizhou Mingfa City Complex	Located at west of Machang Zhonggou and south of Huangang Avenue, Gaogang district, Taizhou, Jiangsu Province	Dec/2015	Residential/ Commercial	Completion certificate had been granted for GFA of 40,930 sq.m. in December 2013. The remaining GFA of 690,370 sq.m. will be completed in December 2016	292,487	697,816	100%	697,816
Zhangzhou Longhai Mingfa Mall	Located in Bangshan town, Kekeng village, Longhai, Zhangzhou, Fujian Province	Dec/2015	Residential/ Commercial	Approximately 70% of construction has been completed	32,163	277,762	100%	277,762
Nanjing Mingfa Business Park	Located in Nanjing High-Tech Development Zone, Pukou district, Nanjing, Jiangsu Province	Dec/2015	Industrial	Approximately 30% of construction has been completed	547,215	827,762	100%	827,762
Beijing Mingfa Mall	Located in Beizang village, Daxing district, Beijing	Dec/2015	Residential/ Commercial	Approximately 70% of construction has been completed	45,414	127,159	100%	127,159
Shanghai Mingfa Shopping Mall	Located at east of Hu Yi Highway, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai	Dec/2015	Commercial	Approximately 10% of construction has been completed	53,779	169,305	100%	169,305
<b>Sub-total</b>					<b>2,206,092</b>	<b>4,387,668</b>		<b>4,038,414</b>

## Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
<b>Properties with land use rights certificate for future development</b>								
New property in Huizhou	Huizhou City West Train Station, Guangdong Province	Dec/2015	Residential	Vacant	332,335	708,157	80%	566,526
Nanjing Mingfa Furniture City	Located in Huangyao village, Taishan Street, Pukou district, Nanjing, Jiangsu Province	Dec/2015	Industrial	Vacant	41,434	62,151	100%	62,151
New property in Lanzhou	Located in Weijia village of Southwest region, Gansu Province	Dec/2015	Residential/ Commercial	Vacant	1,371,786	1,371,786	51%	699,611
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2015	Commercial	Vacant	209,048	418,096	100%	418,096
Changsha Wangcheng district Binshui New Town Commercial Centre property	Located in Star Cheng town, Wangcheng County, Changsha, Hunan Province	Dec/2016	Residential/ Commercial	Vacant	285,594	999,579	100%	999,579
Nanjing Pukou New City Mingfa Headquarters	Located at New City Headquarters Avenue on the north side of 05 plots, Pukou district, Nanjing, Jiangsu Province	Dec/2016	Commercial	Vacant	56,694	283,470	100%	283,470
Nanjing Mingfa Headquarters Commercial Building	Located in New Town Business Avenue North, Pukou district, Nanjing, Jiangsu Province	Jun/2016	Residential/ Commercial	Vacant	56,694	368,511	100%	368,511
Nanjing Mingfa Tongda Information Port	Located at west of Software Park, Gaoxin district, Nanjing, Jiangsu Province	Dec/2015	Office	Vacant	11,244	67,465	90%	60,719
<b>Sub-total</b>					<b>2,364,829</b>	<b>4,279,215</b>		<b>3,458,663</b>
<b>Properties with signed land use rights contract for future development</b>								
Xiamen Mingfeng Town	Located at Douling, Siming district, Xiamen, Fujian Province	Dec/2015	Industrial	Vacant	19,909	103,921	100%	103,921
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2015	Residential/ Commercial	Vacant	154,024	462,072	100%	462,072
Hong Six highway rebuilding property	Located at Xixia village, Honglai town, Nanan, Fujian Province	Dec/2015	Residential/ Commercial	Vacant	22,784	92,298	100%	92,298
Shandong Zibo World Trade Center	Located in People's road to the north, Shanghai Road to the East, Zhangdian district, Zibo, Shandong Province	Dec/2016	Residential/ Commercial	Vacant	147,371	618,958	100%	618,958
New property in Nanjing Pukou	Located in Along the mountain road to the South, Caiba Road East, Pukou district, Nanjing, Jiangsu Province	Dec/2015	Residential	Vacant	115,876	185,402	100%	185,402
<b>Sub-total</b>					<b>459,964</b>	<b>1,462,651</b>		<b>1,462,651</b>
<b>Total land bank</b>					<b>7,755,661</b>	<b>12,057,262</b>		<b>10,745,137</b>

### Notes

- Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates had been obtained as at 31 December 2013.
- Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works, and (b) the land use rights certificates have been obtained as at 31 December 2013.
- The site area is in respect of the whole property (regardless of GFA that have been sold).
- The approximate leasable and saleable GFA have excluded the GFA that have been sold/leased.

**SUMMARY OF PROPERTIES HELD BY THE GROUP FOR INVESTMENT**

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

Property	Location	Existing Usage	Attributable GFA (sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Commercial	103,096	8–20 years	70%–100%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Commercial	135,436	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province	Commercial	4,121	3–9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No.2 Honglian Road West, Siming district, Xiamen, Fujian Province	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located at Honglian Road, Siming district, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Commercial	112,416	10-15 years	100%
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Industrial	234,481	3 years	51%
Wuxi Mingfa Shopping Mall	Located in Sitou village and Tangtou village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Commercial	4,687	15–20 years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Commercial	135,568	15–20 years	100%
Quanzhou Mingfa Hotel	Located in Licheng district, Jiangnan Torch village, Quanzhou, Fujian Province	Hotel	13,707	5 years	100%
Yangzhou Mingfa Shopping Mall	Located at south of Yunhe Road East and west of Baolin Road, Guangling district, Yangzhou, Jiangsu Province	Commercial	37,362	15 years	100%
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Commercial	62,631	Under construction	100%
			<b>954,269</b>		



## Management Discussion and Analysis

### PROGRESS OF DEVELOPMENT ON MAJOR PROJECTS

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

#### Zhenjiang Jinxiu Yinshan

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

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

As at 31 December 2013, completion certificate had been granted for GFA of 108,277 sq.m.

As at 31 December 2013, an aggregate GFA of 19,158 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2015.

#### Huai'an Mingfa Shopping Mall (Block A)

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

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

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

The project is expected to be completed in December 2015.

#### Huai'an Mingfa Shopping Mall (Block C)

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

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

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

The project is expected to be completed in December 2014.

As at 31 December 2013, completion certificate had been granted for GFA of 86,022 sq.m.

As at 31 December 2013, an aggregate GFA of 22,452 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2014.

### **Shenyang Mingfa Jinxiu Hua City**

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

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

The project is expected to be completed in December 2014.

As at 31 December 2013, an aggregate GFA of 73,049 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2014.

### **Wuxi Mingfa International New Town**

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

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

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

The project is expected to be completed in December 2014.

As at 31 December 2013, completion certificate had been granted for GFA of 221,630 sq.m.

As at 31 December 2013, an aggregate GFA of 78,443 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2014.

### **Yangzhou Mingfa Jiangwan City**

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

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

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

The project is expected to be completed in December 2014.

As at 31 December 2013, an aggregate GFA of 47,635 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2014.

## Management Discussion and Analysis

### Quanzhou Mingfa Huachang International Town

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

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

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

The project is expected to be completed in December 2015.

As at 31 December 2013, an aggregate attributable GFA of 39,116 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2015.

### Taizhou Mingfa City Complex

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

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

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

The project is expected to be completed in December 2015.

As at 31 December 2013, completion certificate had been granted for GFA of 40,930 sq.m.

As at 31 December 2013, an aggregate GFA of 35,427 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2015.

### Zhangzhou Longhai Mingfa Mall

Zhangzhou Longhai Mingfa Mall is located in Bangshan town, Kekeng village, Longhai, Zhangzhou, Fujian Province.

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

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

The project is expected to be completed in December 2014.

As at 31 December 2013, an aggregate GFA of 9,185 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2015.

### **Nanjing Mingfa Business Park**

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

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

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

The project is expected to be completed in December 2015.

### **Beijing Mingfa Mall**

Beijing Mingfa Mall is located in Beizang village, Daxing district, Beijing.

This project is designed as integrated residential complex complemented with commercial properties.

The site area of the project is approximately 45,414 sq.m., with an aggregated GFA of approximately 127,159 sq.m.

The project is expected to be completed in December 2015.

As at 31 December 2013, an aggregated GFA of 51,399 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2015.

### **Shanghai Mingfa Shopping Mall**

Shanghai Mingfa Shopping Mall is located at east of Hu Yi Highway East, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai.

This project is designed as integrated commercial complex.

The site area of the project is approximately 53,779 sq.m., with an aggregated GFA of approximately 169,305 sq.m.

The project is expected to be completed in December 2015.

## Management Discussion and Analysis

### PROPERTIES TO BE COMPLETED IN 2014

Set out below are the properties expected to be completed by the Group in 2014. The total GFA for such properties available for sale/leasing by the Group upon completion will be approximately 991,744 sq.m. including those already pre-sold as at 31 December 2013.

Property	Expected Completion Date	Usage	GFA Available for Sale/Leasing (sq.m.)	Percentage of Interest in the Property Attributable to the Group
Huai'an Mingfa Shopping Mall	Dec-2014	Residential & commercial	87,998	100%
Shenyang Mingfa Jinxiu Hua City	Dec-2014	Residential & commercial	306,110	100%
Wuxi Mingfa International New Town	Dec-2014	Residential	376,103	100%
Yangzhou Mingfa Jiangwan City	Dec-2014	Residential	221,533	100%
			<b>991,744</b>	

## ACQUISITION FRAMEWORK AGREEMENTS

As at 31 December 2013, the Group entered into 12 uncompleted memoranda of understanding (the “**MOU(s)**”) with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. Two MOUs were signed in 2013, the rest were signed in or before 2012. These MOUs are not legally-binding and there is no assurance that the Group will be granted with the land use rights after signing of the MOUs. On the contrary, the MOUs only set out the parties’ intention of cooperation in future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use rights from the PRC governmental authorities for such lands. Notwithstanding that, the Company considers these as opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run. Summary of these MOUs and the related projects are listed as follows:

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	Note
Huai’an Mingfa International Industrial Material Park and Mingfa International Town (淮安明發國際工業原料城和明發國際城)	Huai’an City, Jiangsu Province	28-Nov-07	666,670	1,180,219	(1)
Tianjin Jingjin Mingfa International Town (天津京津明發國際城)	Tianjin City	6-Dec-09	1,533,341	3,000,000	
Shenyang Creative Park (瀋陽創意產業園)	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000	(2)
Shenyang Residential and Commercial Complex Project (瀋陽商住項目)	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000	(3)
Panjin Mingfa City Square (盤錦明發城市廣場)	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996	
Jiangsu Taizhou Mingfa City Complex Project (江蘇泰州明發城市綜合體項目)	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685	(4)
Shenyang Mingfa Integrated Science and Technology Park (瀋陽明發綜合科技園)	Shenyang City, Liaoning Province	23-Sep-11	1,344,007	1,830,000	

## Management Discussion and Analysis

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	Note
Nanjing Software Park Starting Area Project (南京軟件園啓動區項目)	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project (南京紫金(浦口)科技創業特區2#地塊項目)	Nanjing City, Jiangsu Province	9-Oct-12	200,001	800,000	
Nanjing Software Valley Technology City Project (南京軟件谷科技城項目)	Nanjing City, Jiangsu Province	6-Dec-12	106,667	373,335	(5)
Anhui Hexian Wujiang New Town (安徽和縣明發烏江新城)	Maanshan City, Anhui Province	28-Apr-13	2,000,010	7,000,035	
Guanan Mingfa City Complex Project (廣安明發城市綜合體項目)	Guanan City, Sichuan Province	10-Jul-13	158,001	632,003	
<b>Total</b>			<b>9,177,509</b>	<b>23,278,273</b>	

### Notes:

- (1) The Group had acquired three plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Weihai East Road, Shenzhen South Road, and east of Guangzhou Road respectively in Huai'an. Total land area and GFA is approximately 184,455 sq.m. and approximately 420,370 sq.m. respectively.
- (2) The Group had acquired one plot of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 154,024 sq.m. and approximately 462,072 sq.m. respectively.
- (3) The Group had acquired two plots of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 61,222 sq.m. and approximately 306,110 sq.m. respectively.
- (4) The Group had acquired two plots of land in 2011 under the MOU signed on 22 December 2010. One plot of the land is located at west of Machang Zhonggou and south of Huangang Avenue in Taizhou and the other is located at east of Diaodong Zhonggou and south of Huangang Avenue in Taizhou. Total land area and GFA is approximately 292,487 sq.m. and approximately 731,300 sq.m. respectively.
- (5) The Group had acquired one plot of land under the MOU signed on 6 December 2012. The land is located at west of Software Park, Gaoxin district, Nanjing, Jiangsu Province. Total land area and GFA is approximately 11,244 sq.m. and approximately 67,465 sq.m. respectively.

## AWARDS AND RECOGNITION

The Group was granted various awards by the PRC Government and other recognized authorities in 2013, details of which are set out as follows:

Name of the Award	Award Presenter	Date of the Award
Large Taxpayer in 2012 — Nanjing House	Taishan Street Office of People's Government of Pukou District of Taishan Street Working Committee of Pukou District of the Communist Party of China	January 2013
The Most Investment Valuable Commercial Property in 2012 — Hefei Shopping Mall	SouFun, ChinaIndex Academy	January 2013
The Most Investment Valuable Award — Hefei Shopping Mall	JiangHuai Morning News	January 2013
"Concentric, Thousands of Private Enterprises to Help Thousands Project" — Nanjing House	Nanjing City Federation of Industry and Commerce of The CPC Nanjing Municipal Committee United Front Work Department	January 2013
Large Taxpayer — Nanjing House	Dingshan Street Office of People's Government of Pukou District of Dingshan Street Working Committee of Pukou District of the Communist Party of China	February 2013
Advanced Unit of "Construction of Dingshan" — Nanjing House	Dingshan Street Office of People's Government of Pukou District of Dingshan Street Working Committee of Pukou District of the Communist Party of China	February 2013
Pukou District Charity Unit — Nanjing House	People's Government of Pukou District of Nanjing City of Nanjing Pukou District Committee of the Communist Party of China	March 2013
Donation Certificate for Pledging Charity Named Fund — Nanjing House	People's Government of Pukou District of Nanjing City of Nanjing Pukou District Committee of the Communist Party of China	March 2013



### PROSPECTS

The prudent and progressive development strategy formulated and implemented by the Group since its inception has created a sound foundation for the Group. After establishing a concrete business base in the provinces of Fujian and Jiangsu, the Group has successfully extended its reach to first-tier cities including Beijing and Shanghai in 2011. In October 2013, the Group introduced and pre-sold the residential property project in Beijing, named Beijing Mingfa Mall, which proved greatly popular and was sold out within two hours. Building on the successful performance in Beijing, the Group is continuing to devote efforts to other major cities as it expands its property portfolio nationally.

A balanced property mix remains the Group's core strategy. The Group intends to maintain an average weighted property mix in order to generate a stable cash inflow and minimize any potential downside risks. Regarding the Group's total attributable GFA, residential and commercial properties accounted for 46.0% and 38.8% respectively as at 31 December 2013 (2012: 47.0% and 36.8% respectively). Apart from these two major segments, the Group will retain an attributable GFA of 30% to 50% retail shops in shopping malls as investment properties for rental income. For the year ended 31 December 2013, revenue from property investment and management increased to RMB344.9 million, representing 5.5% of total revenue, from RMB213.4 million for the year of 2012. The diversified and balanced portfolio is to be implemented over the long term, in order to mitigate any political and external risks associated with further strengthened austerity measures and mortgage restrictions on residential properties.

The Group is constantly appraising and valuing land parcel with high potential in the market. Land reserve of the Group has been enlarged by 16.9% to a GFA of 10.7 million sq.m. from 2012 to 2013 and will be sufficient for anticipated growth in five to six years. On the other hand, through ongoing efforts in collaboration with the local government, the Group has signed two new MOUs in 2013, aiming to locate suitable land parcels under the Group's low land cost strategy.

Regarding debt financing, in addition to the successful debut issue of senior notes of US\$100 million at a 13.25% coupon rate due 2018 in February 2013, the Group has further demonstrated its liquidity and solvency through two successful redemptions of convertible bonds due in 2016 and 2015 by using the internal resources and bank loans in June 2013 and January 2014 respectively. The redemptions not only provide greater assurance of the ability of the Group to service debt, but also strengthen the Group's capital structure and financial position. Earlier in 2014, the Group received a credit facility offered by Agricultural Bank of China, Xiamen Branch of RMB5 billion in three years. In consideration of a higher leverage capacity, the Group is keeping a close eye on the market in order to select suitable financing opportunities to broaden funding channels and build a healthy debt profile.

Continuous cash inflow and reasonable gearing level are considered as most important to sustained development in the property industry. In light of the gradual recovery of the U.S. economy, the tapering of quantitative easing coupled with rising interest rates would result in global credit tightening. Meanwhile, the property market in the PRC is closely related to the banking industry and affected by monetary measures of the PBOC. Any changes in interest rates and credit requirements, together with fluctuation in the Renminbi exchange rate, pose uncertainties on the future growth of the property market. Moreover, high land costs and property prices should continue leading the PRC Government to keep in place stringent controls on curbing property prices. As a result, consolidation among the industry continues, forcing developers with unfavourable financial positions out of the market.

Looking ahead, despite the uncertainties, the property industry continues to play an essential role in the national economy, the Group intends to maintain a balanced property mix and a stable cash flow in pursuit of sustainable growth in the future.

### FINANCIAL REVIEW AND ANALYSIS

For the year ended 31 December 2013, revenue generated by the Group was approximately RMB6,269.1 million for 2013 (2012: approximately RMB3,741.1 million), representing an increase of 67.6% as compared to 2012. The increase in revenue generated from properties sector in 2013 was mainly due to increase in GFA delivered from 499,890 sq.m. in 2012 to 787,024 sq.m. in 2013. Revenue from various sectors is analyzed as follows:

For the year ended 31 December	Commercial Properties (RMB'million)	Residential Properties (RMB'million)	Properties Investment and Management (RMB'million)	Hotel (RMB'million)	Total (RMB'million)	Percentage of Increase
2013	2,014.6	3,829.0	344.9	80.6	6,269.1	67.6%
2012	711.1	2,767.3	213.3	49.4	3,741.1	25.6%

Revenue from the properties sector contributed 93.2% in total to the Group's revenue. Increase in revenue from the commercial properties sector was primarily due to the significant increase in delivery of commercial properties in Zhangzhou Mingfa Shopping Mall upon full completion in 2013 while increase in revenue from the residential properties sector was mainly due to the increase in delivery of residential properties in Xiamen Mingfa Xiangwan Peninsula upon full completion in 2013.

Revenue from the properties investment and management sector increased by 61.7% which was mainly due to more GFA were rented and generated more rental income in 2013.

Income generated from hotel operations increased by 63.2% from RMB49.4 million for 2012 to RMB80.6 million for 2013. It was mainly due to the opening of a new hotel in Nanjing which contributed RMB21.1 million in 2013.

## Management Discussion and Analysis

The gross profit of the Group increased in line with revenue and amounted to approximately RMB2,201.6 million for 2013, representing an increase of approximately 84.8% over 2012 (2012: approximately RMB1,191.1 million).

The profit attributable to the equity holders of the Company was approximately RMB1,399.2 million for 2013, representing a decrease of approximately RMB365.5 million or approximately 20.7% from that of 2012 (2012: approximately RMB1,764.7 million). It was mainly due to the decrease in disposal gain in 2013. The Group disposed a joint venture in 2012 which generated a pre-tax other gain of RMB1,026.7 million.

The cost of sales of the Group was RMB4,067.5 million for 2013, representing an increase of approximately 59.5% over 2012 (2012: approximately RMB2,550.0 million). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB4,888.8 per sq.m. for 2013, representing a slight increase of approximately 0.9% over 2012 (2012: average cost of properties included in cost of sales was RMB4,846.9 per sq.m.).

Fair value gains on investment properties and derivative financial instruments decreased by 27.4% and 73.9% respectively to RMB453.4 million and RMB88.9 million respectively (2012: RMB624.6 million and RMB340.9 million respectively).

Other gains decreased by 63.3% from RMB1,031.5 million in 2012 to RMB378.7 million in 2013. The Group disposed a joint venture in 2012 which generated a pre-tax other gain of RMB1,026.7 million.

Selling, general and administrative expenses and other operating expenses of the Group were RMB542.1 million for 2013, representing an increase of approximately 21.6% over 2012 (2012: approximately RMB445.9 million). These expenses increased in line with the increase in revenue.

Net finance costs of the Group increased by 44.5% to RMB267.1 million in 2013 (2012: approximately RMB184.9 million). The increase was due to an increase in bank loans and other borrowings from RMB7,187.8 million in 2012 to RMB8,641.4 million in 2013.

### CAPITAL STRUCTURE

As at 31 December 2013, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB971.2 million (31 December 2012: approximately RMB680.1 million). Bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB6,609.7 million and RMB2,031.7 million respectively (31 December 2012: approximately RMB5,647.3 million and RMB1,540.6 million respectively).

Total interest expenses including the capitalised interest expenses amounted to approximately RMB848.5 million (2012: approximately RMB718.7 million) in total. In addition, interests with an amount of approximately RMB565.5 million (2012: approximately RMB512.0 million) were capitalised in 2013.

Set out below are the major ratios of the Group:

	As at and for the year ended 31 December	
	2013	2012
Gross profit margin	<b>35.1%</b>	31.8%
Operating profit margin	<b>41.2%</b>	73.3%
Net profit margin	<b>22.0%</b>	47.0%
Returns on equity	<b>13.7%</b>	19.9%
Current ratio	<b>1.16</b>	1.10
Interest cover <sup>(1)</sup>	<b>3.0 times</b>	3.8 times
Total liabilities to total assets	<b>68.2%</b>	69.5%
Bank loans and other borrowings to shareholders' funds	<b>84.3%</b>	81.0%
Non-current bank loans and other borrowings to total assets	<b>5.7%</b>	4.8%
Gearing ratio <sup>(2)</sup>	<b>40.7%</b>	40.9%

(1) Including amount of interests capitalised

(2) Defined as net debt (total borrowings and derivative financial instruments less cash and cash equivalents) divided by the sum of shareholders' funds and net debt

## PLEDGES OF ASSETS

As at 31 December 2013, investment properties of the Group with net book value of approximately RMB3,850.0 million (31 December 2012: approximately RMB3,844.4 million), buildings of approximately RMB315.6 million (31 December 2012: approximately RMB110.8 million), land use rights of approximately RMB2,572.4 million (31 December 2012: approximately RMB1,774.5 million), completed properties held for sale of approximately RMB1,115.6 million (31 December 2012: approximately RMB2,322.7 million), properties under development of approximately RMB498.1 million (31 December 2012: approximately RMB491.3 million) and restricted bank deposits of approximately RMB1,118.0 million (31 December 2012: approximately RMB355.0 million) were pledged to secure the banking facilities of the Group. No cash deposits (31 December 2012: approximately RMB40.4 million) were restricted and deposited in certain banks as security for project construction. Cash deposits of approximately RMB10.5 million (31 December 2012: approximately RMB63.0 million) were restricted and deposited in certain banks as security for bank notes.

## CAPITAL COMMITMENTS

As at 31 December 2013, the contracted capital commitments of the Group were approximately RMB5,459.2 million (31 December 2012: approximately RMB4,270.1 million), which were mainly the capital commitments for property development and acquisition of the project companies. It is expected that the Group will finance such commitments from internally generated funds and resources.

## GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2013, the contingent liabilities of the Group were approximately RMB4,147.6 million (31 December 2012: approximately RMB3,080.5 million), which were mainly the guarantees given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following completion of transfer of property title by the Group to the buyers.

### FOREIGN EXCHANGE RISK

As at 31 December 2013, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars and US dollars in the respective proportions of 89.4%, 0.5% and 10.1% (31 December 2012: Renminbi, Hong Kong dollars and US dollars accounted for 97.9%, 1.4% and 0.7% respectively of the total bank balances of the Group). The bank loans and other borrowings maintained by the Group were denominated in Renminbi, Hong Kong dollars and US dollars in respective proportions of 61.3%, 27.5% and 11.2% (31 December 2012: Renminbi and Hong Kong dollars accounted for 63.1% and 36.9% respectively of the total bank loans and other borrowings of the Group).

As the sales, purchases, bank borrowings and other borrowings of the Group in 2013 were made mainly in Renminbi and Hong Kong dollars, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted either in Renminbi or Hong Kong dollars, the Group will convert the Hong Kong dollars and US dollars bank balances into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2013, and the Group believes that the foreign exchange risk exposed by the Group was relatively minimal.

### INTEREST RATE RISK

As at 31 December 2013, the majority of the bank borrowings of the Group were floating rate borrowings and were denominated in Renminbi, Hong Kong dollars and US dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

### FUNDING AND TREASURY POLICY

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

### HUMAN RESOURCES

As at 31 December 2013, the Group employed a total of 2,445 staff (31 December 2012: 2,158 staff). The increase was due to more engineering and support staff recruited for new projects started in 2013. For 2013, the staff costs of the Group including Directors' emoluments were approximately RMB212.0 million (2012: approximately RMB148.4 million), representing an increase of approximately 42.9%. The increase was mainly due to the annual salary adjustment and increase in the number of staff in 2013. The staff costs include basic salary and welfare expenses, whereby employees' welfare covered a medical insurance plan, a pension plan, an unemployment insurance plan, a pregnancy insurance plan and training.

The Group values human capital and is keen to improve the professionalism and competitiveness of employees through training and regular performance reviews. The Group provided various trainings for accounting teams in relation to the latest reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts. In practice, the Group annually conducts reviews on the remuneration packages and performance appraisal with employees which are taken into account for bonus entitlement and promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the employment market.

### PENSION SCHEME

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

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

In relation to the employees in the PRC, the PRC Government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. For 2013, the contribution to the above retirement benefit schemes made by the Group amounted to approximately RMB22.6 million (2012: approximately RMB11.9 million).

### DIVIDEND POLICY

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

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) throughout the year under review, except as noted hereunder.

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors of the Company’s securities transactions on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding the Directors’ securities transactions for the year ended 31 December 2013.

## BOARD OF DIRECTORS

Directors during the year under review were as follows:

### Executive Directors

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

### Non-Executive Director

Mr. Chi Miao (resigned effective 18 November 2013)

### Independent Non-Executive Directors

Mr. Wong Po Yan (resigned effective 19 March 2013)  
Mr. Dai Yiji  
Mr. Qu Wenzhou  
Mr. Lau Kin Hon (appointed effective 19 March 2013)

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

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

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

Name of Director	Number of Attendance
Mr. Wong Wun Ming ( <i>Chairman</i> )	4
Mr. Huang Qingzhu	3
Mr. Huang Lianchun	3
Mr. Huang Li Shui	3
Mr. Dai Yiyi	4
Mr. Qu Wenzhou	4
Mr. Lau Kin Hon (appointed effective 19 March 2013)	1
Mr. Chi Miao (resigned effective 18 November 2013)	3
Mr. Wong Po Yan (resigned effective 19 March 2013)	3

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

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

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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



### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

The chairperson of the Remuneration Committee is Mr. Qu Wenzhou. The other members are Mr. Dai Yiyi and Mr. Lau Kin Hon. All are Independent Non-Executive Directors.

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

<b>Name of Director</b>	<b>Number of Attendance</b>
Mr. Qu Wenzhou ( <i>chairperson of the Remuneration Committee</i> )	1
Mr. Dai Yiyi	1
Mr. Lau Kin Hon (appointed effective 19 March 2013)	N/A
Mr. Wong Po Yan (resigned effective 19 March 2013)	1
Mr. Chi Miao (resigned effective 18 November 2013)	1

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

- (a) to assess performance of Executive Directors and to review the remuneration policy and structure of the Directors and senior management of the Group;
- (b) to review and approve the remuneration packages for all Executive Directors, Independent Non-Executive Directors and senior management; and
- (c) to review, consider and recommend to the Board the remuneration package of the candidate as Independent Non-Executive Director and as the member of the Remuneration Committee.

### NOMINATION OF DIRECTORS

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

The chairperson of the Nomination Committee is Mr. Dai Yiyi. The other members are Mr. Qu Wenzhou and Mr. Lau Kin Hon. All are Independent Non-Executive Directors.

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

Name of Director	Number of Attendance
Mr. Dai Yiyi ( <i>chairperson of the Nomination Committee</i> )	2
Mr. Qu Wenzhou	2
Mr. Lau Kin Hon (appointed effective 19 March 2013)	1
Mr. Wong Po Yan (resigned effective 19 March 2013)	1

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

- (a) to review the structure, size and composition of the Board;
- (b) to assess the independence of Independent Non-Executive Directors;
- (c) to recommend re-election of retiring Directors, namely Mr. Wong Wung Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui as Executive Directors and Mr. Lau Kin Hon as Independent Non-Executive Director to the Board;
- (d) to identify, nominate and recommend to the Board the candidate to fill casual vacancy as Independent Non-Executive Director and as the member of the Nomination Committee; and
- (e) to revise the terms of reference of the Nomination Committee and to set up the board diversity policy of the Company.

### BOARD DIVERSITY POLICY

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Company recognises and embraces the benefits of diversity of Board to enhance the quality of its performance. During the year under review, the Board adopted a board diversity policy. All Board appointments will continue to be made on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### AUDIT COMMITTEE

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

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

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

The chairperson of the Audit Committee is Mr. Qu Wenzhou. The other members are Mr. Dai Yiyi and Mr. Lau Kin Hon. All are Independent Non-Executive Directors.

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

<b>Name of Director</b>	<b>Number of Attendance</b>
Mr. Qu Wenzhou ( <i>chairperson of the Audit Committee</i> )	2
Mr. Dai Yiyi	2
Mr. Lau Kin Hon (appointed effective 19 March 2013)	1
Mr. Wong Po Yan (resigned effective 19 March 2013)	1

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

- (a) to review and adopt the accounting policies and treatments to be adopted in the interim report and the annual report of the Group;
- (b) to review the interim and the annual consolidated financial statements;
- (c) to review the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget and the effectiveness of the internal audit function;
- (d) to review the performance of the external independent auditor; and
- (e) to review the corporate governance policies and practices of the Company and make recommendation to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirement; to review the training and continuous professional development of the Directors and senior management of the Company and to review the disclosure made in the corporate governance report.

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

From time to time, the Company has been encouraging all Directors and also senior executives to equip themselves with relevant up-dated knowledge and skills. According to the training record maintained by the Company, all Directors has confirmed that he has obtained and read certain training and related materials during the year under review. The materials include Company's performance on a monthly basis, Director's duties, Listing Rules, corporate governance practices and Hong Kong Companies Ordinance.

## REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT

The remuneration of the members of the senior management of the Group for the year ended 31 December 2013 and 2012 presented fall within the range of following bands:

Emolument Bands	Number of Individuals	
	2013	2012
Nil to RMB500,000	3	4
RMB500,001 — RMB1,000,000	2	1
RMB1,000,001 — RMB2,000,000	1	1

## AUDITOR'S REMUNERATION

For 2013, the remuneration of the Company's auditor for reviewing of the half-yearly interim financial information of the Group and auditing the annual consolidated financial statements of the Group was approximately RMB4.25 million in aggregate.

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

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

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

## SHAREHOLDERS' RIGHTS

### Communication Channel

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

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

By post:

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

By telephone: +852 2620 5885

By email: [info@ming-fa.com](mailto:info@ming-fa.com)

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

### GENERAL MEETING

One general meeting was held during the year under review. In respect of code provision A.6.7 of the CG Code, the following lists out the individual attendance of each Director at the annual general meeting of the Company which was held on 31 May 2013:

Name of Director	Number of Attendance
Mr. Wong Wun Ming	1
Mr. Huang Qingzhu	0
Mr. Huang Lianchun	0
Mr. Huang Li Shui	1
Mr. Dai Yiyi	0
Mr. Qu Wenzhou	1
Mr. Lau Kin Hon (appointed effective 19 March 2013)	1
Mr. Chi Miao (resigned effective 18 November 2013)	0
Mr. Wong Po Yan (resigned effective 19 March 2013)	N/A

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

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

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

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

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

#### **Procedures for Shareholders to Put Forward Proposals at a General Meeting**

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

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

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

### **CONSTITUTIONAL DOCUMENT**

During the year under review, no amendment to the memorandum and articles of association of the Company was made.

### **DIRECTOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS**

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

For and on Behalf of the Board  
**Mingfa Group (International) Company Limited**

**Wong Wun Ming**  
*Chairman*

24 March 2014



# Biographical Details of Directors and Senior Management

## DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. WONG Wun Ming** (黃煥明), aged 50, was appointed as our Chairman and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of the Group's strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006–2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

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

**Mr. HUANG Qingzhu** (黃慶祝), aged 43, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of our Group and has been responsible for the day to day management and overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 20 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of the Group from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as a senior economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

## Biographical Details of Directors and Senior Management

**Mr. HUANG Lianchun (黃連春)**, aged 41, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the day to day operations of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

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

**Mr. HUANG Li Shui (黃麗水)**, aged 56, was appointed as our Non-Executive Director on 27 November 2007 and redesignated as an Executive Director on 20 April 2010. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He has more than 20 years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, Mr. Huang served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. DAI Yiyi (戴亦一)**, aged 46, was appointed as an Independent Non-Executive Director on 9 October 2009. Mr. Dai is currently the Vice Dean of the Xiamen University School of Management and a full-time professor of the MBS Professional Graduate Program of Xiamen University School of Management. He is also the Chair Professor of the Real Estate "CEO Class" (總裁班) at Tsinghua University and Peking University.

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

Mr. Dai is currently an independent director of Xiamen ITG Group Corp., Ltd. (stock code: 600755) and Shanghai Xinye Resources Holdings Limited (stock code: 600603), which are companies listed on the Shanghai Stock Exchange and are engaged in real estate development and resources in addition to other principal businesses. Mr. Dai is also an independent non-executive director of China SCE Property Holdings Limited (stock code: 1966) which is a company listed on the Hong Kong Stock Exchange. Mr. Dai was an independent director of Xiamen C&D Inc. (stock code: 600153) from April 2007 till April 2013, a company which is listed on the Shanghai Stock Exchange. Mr. Dai was also the independent director of Guangdong Shirongzhaoye Co., Ltd. (stock code: 002016) from December 2008 to December 2012 and Fujian Septwolves Industry Co., Ltd. (stock code: 002029) from July 2007 to July 2013, both companies are listed on the Shenzhen Stock Exchange.

## Biographical Details of Directors and Senior Management

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

**Mr. QU Wenzhou (屈文洲)**, aged 41, was appointed as an Independent Non-Executive Director on 19 August 2010.

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

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

## Biographical Details of Directors and Senior Management

**Mr. Lau Kin Hon (劉建漢)**, aged 46, was appointed as an Independent Non-Executive Director on 19 March 2013. Mr. Lau is a practicing solicitor in Hong Kong. Mr. Lau received his bachelor of laws degree from University College, London, U.K. He is currently a partner of a law firm in Hong Kong. Mr. Lau is a non-executive director of Lisi Group (Holdings) Limited (Stock code: 526), an executive director of CL Group (Holdings) Limited (Stock code: 8098) and was a non-executive director of TLT Lottotainment Group Limited (Stock code: 8022) from 4 March 2013 to 2 October 2013, all of which are listed on The Stock Exchange of Hong Kong Limited.

### SENIOR MANAGEMENT

**Mr. POON Wing Chuen (潘永存)**, aged 48, is our Chief Financial Officer and Company Secretary and his responsibilities are to oversee the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined our Group in May 2008 and has over 20 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies over the years. Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

**Mr. JIANG Yong (江勇)**, aged 38, is our Vice President and is responsible for the administrative, human resources, legal and compliance operations of our Group. Mr. Jiang joined our Group in 2004. Prior to joining our Group, Mr. Jiang served as a legal officer and head of the administration department, human resources department and sales department at Xiamen Fukang Economic Development Co., Ltd. from 2002 to 2004. Mr. Jiang served as a legal assistant at the Xinhua International Intellectual Property (Xiamen) Firm from 2001 to 2002 and as a legal adviser at Xiamen Yinxiang Group Co., Ltd. from 2000 to 2001. Mr. Jiang was a legal clerk at the People's Court of Shaowu, Fujian from 1999 to 2000. Mr. Jiang was chosen as the representative of the 15th People's Congress of Siming District of Xiamen, Fujian (思明區十五屆人大代表) in 2006. He qualified as a senior economist in the PRC in 2002. Mr. Jiang graduated with a bachelor degree in law from Southwest University of Political Science and Law in 1999. He passed the China Corporate Legal Consultant Qualification Examination in 2003 and passed the PRC National Judicial Examination in 2006.

**Mr. YU Wei Ning (俞偉寧)**, aged 50, is our Vice President and is responsible for the property and hotel management operations of our Group. Mr. Yu joined our Group in 2007 and served as the deputy general manager and manager of Xiamen Qiaole Mingfa Property Management Co., Ltd. Prior to joining our Group, Mr. Yu served as the department head, management representative and assistant general manager at Xiamen Zongheng Group Company from 2000 to 2006. Mr. Yu served as the manager of the property department of Xiamen Yangguang Zhongheng Real Estate Company from 1998 to 2000. Mr. Yu worked at Jingban Group Company, and served in various managerial roles from 1980 to 1998. Mr. Yu has received various qualifications and certifications in finance, property agent practice as well as construction management. Mr. Yu obtained Economist Qualification ISO9002 (1994) and ISO9001 (2000) in 1998 and 2004 respectively. In 2003, Mr. Yu obtained the Qualification of Project Manager of Construction and Decoration Project (Grade II) in Xiamen (廈門建築裝飾工程二級專案經理資格) and in 2006, passed the Review and Valuation on Senior Economist held by the Bureau of Human Resources of Fujian Province (福建省人事廳高級經濟師評審). He is a qualified economist in the PRC and a registered real estate agent (註冊房地產經紀人執業資格). Mr. Yu received his bachelor degree from The Open University of Fujian in 1986 and graduated from the University of Xiamen Investment and Economics Research Class in 1999. Mr. Yu obtained the certificate for Mall China accredited operation manager in 2008 and Mall China professional manager in 2009.

## Biographical Details of Directors and Senior Management

**Mr. ZHONG Xiao Ming (鍾小明)**, aged 46, is our Vice President and is responsible for the project management operations of our Group. Mr. Zhong has over 20 years of experience in the PRC real estate and real estate related sector. He joined our Group in 2009. He previously served as the general supervisor of Xiamen Jiye Hengxin Consultancy Company Limited from 2005 to 2009, project manager of Xiamen Shipbuilding Industry Co., Ltd. from 2003 to 2005, department manager of Xiamen Guangxia Engineering Co., Ltd. from 1997 to 2003 and section chief of Minjiang Engineering Bureau from 1989 to 1996. Mr. Zhong qualified as a senior engineer in 2002. Mr. Zhong graduated from China Three Gorges University (previously known as Gezhouba Hydraulic & Electric Engineering College) with a bachelor degree in engineering in 1989.

**Mr. WANG Chih-Cheng (王志成)**, aged 51, is our Vice President and is responsible for the tendering and purchasing process of our Group. Mr. Wang has over 20 years of experience in the mechanical engineering sector. He joined our Group in 2008. He previously served as senior project manager of Sika (China) Ltd. in 2008, vice general manager of the Fujian branch of Suzhou Schindler Elevator Company Limited from 2005 to 2007, manager of Fujian branch of Shanghai Yungtay Elevator Co., Ltd. from 2000 to 2004, vice general manager of Shanghai Qiyang International Trade Company Limited from 1998 to 2000 and a chief manager of Taiwan Yungtay Engineering Co., Ltd. from 1987 to 1998. Mr. Wang graduated from National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) with a bachelor degree in mechanical engineering in 1987.

**Ms. HAO Jin (郝晉)**, aged 36, is our Vice President and is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.

### COMPANY SECRETARY

**Mr. POON Wing Chuen (潘永存)**, aged 48, our Chief Financial Officer, is the Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. Mr. Poon was appointed as the Company Secretary of the Company on 12 September 2008. He has complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

# Report of the Directors

The Directors herein present this annual report and the audited financial statements of the Group for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

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

## SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC during the year under review and are set out in Note 5 to the consolidated financial statements.

## SUMMARY OF FINANCIAL INFORMATION

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

## PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

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

## SHARE CAPITAL

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

## RESERVES

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

## DISTRIBUTABLE RESERVES

As at 31 December 2013, distributable reserve of the Company amounted to approximately RMB449.2 million (2012: approximately RMB634.9 million).

## PRE-EMPTIVE RIGHTS

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

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement of this annual report.

The Board does not recommend payment of final dividend for the year ended 31 December 2013.

## Report of the Directors

### **CLOSURE OF REGISTER OF MEMBERS AND ANNUAL GENERAL MEETING (“AGM”)**

The AGM will be held on Friday, 30 May 2014. The notice of the AGM which constitutes part of the circular will be sent together with the annual report to shareholders of the Company in due course. The notice of the AGM and the proxy form will be published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company (<http://www.ming-fa.com>) and be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

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

#### **To determine the identity of shareholders of the Company who are entitled to attend and vote at the AGM**

Latest time for lodging transfers : 4:30 p.m. on Monday, 26 May 2014  
Closure of register of members : Tuesday, 27 May 2014 to Friday, 30 May 2014, both days inclusive  
Date of the AGM : Friday, 30 May 2014

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

### **DIRECTORS**

The Directors as at 31 December 2013 and up to the date of this annual report were as follows:

#### **Executive Directors**

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

#### **Independent Non-Executive Directors**

Mr. Dai Yiyi  
Mr. Qu Wenzhou  
Mr. Lau Kin Hon

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

### **DIRECTORS’ SERVICE CONTRACTS**

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

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

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

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

### DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Remuneration Committee and approved by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. For the year ended 31 December 2013, the remuneration including Directors' fees amounted to approximately RMB0.8 million. For details, please refer to Note 33 to the consolidated financial statements.

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

As at 31 December 2013, the total number of issued shares of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, are listed as follows:

#### The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares <small>(Note 1)</small>	Approximate Percentage of Interest in the Company
Mr. Wong Wun Ming	Beneficial owner	13,500,000 shares (L)	0.22%
Mr. Wong Wun Ming	Interest of a controlled corporation <small>(Note 2)</small>	3,540,406,000 shares (L) 1,546,094,000 shares (S)	58.10% 25.37%

#### Notes:

- (1) The letter "L" and "S" denote a long position and a short position in the shares or underlying shares respectively.
- (2) The disclosed interest represents the interest in the Company held by Galaxy Earnest Limited. Galaxy Earnest Limited is wholly-owned by Growing Group Limited, Gainday Holdings Limited, Tin Sun Holdings Limited and Better Luck Group Limited in the respective proportions of 55%, 15%, 15% and 15%. As such, pursuant to the SFO, Growing Group Limited is deemed to have the same interest in the Company in which Galaxy Earnest Limited is currently interested. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited and therefore he is deemed to be interested in these 3,540,406,000 shares and 1,546,094,000 shares of the Company Pursuant to the SFO.



## Report of the Directors

### Associated Corporation — Galaxy Earnest Limited:

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

#### Notes:

- (1) The disclosed interest represents the interest in the associated corporation held by Growing Group Limited, a company which is directly wholly-owned by Mr. Wong Wun Ming.
- (2) The disclosed interest represents the interest in the associated corporation held by Gainday Holdings Limited, a company which is directly wholly-owned by Mr. Huang Qingzhu.
- (3) The disclosed interest represents the interest in the associated corporation held by Tin Sun Holdings Limited, a company which is directly wholly-owned by Mr. Huang Lianchun.
- (4) The disclosed interest represents the interest in the associated corporation held by Better Luck Group Limited, a company which is directly wholly-owned by Mr. Huang Li Shui.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code.

### DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2013, the interests or short positions of those persons, other than Directors or chief executives of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are listed as follows:

Name	Nature of Interest	Total Number of Ordinary Shares <small>(Note 1)</small>	Approximate Percentage of Interest in the Company
Ms. Chen Bihua <small>(Note 2)</small>	Interest of spouse	3,540,406,000 shares (L)	58.10%
Warburg Pincus & Co. <small>(Note 3)</small>	Interest of a controlled corporation	1,546,094,000 shares (S) 623,994,329 shares (L)	25.37% 10.24%
中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) <small>(Note 4)</small>	Interest of a controlled corporation	1,246,094,000 shares (L)	20.45%
Central Huijin Investment Ltd. <small>(Note 4)</small>	Interest of a controlled corporation	1,246,094,000 shares (L)	20.45%

## Report of the Directors

Notes:

- (1) The letter “L” and “S” denote a long position and a short position in the shares or underlying shares respectively.
- (2) Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and therefore, pursuant to the SFO, is deemed to be interested in these shares of the Company in which Mr. Wong Wun Ming is deemed to be interested and vice versa. Both Mr. Wong Wun Ming and Ms. Chen Bihua, our controlling Shareholders, have pledged (i) an aggregate of 1,546,094,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 20.45% of the total issued share capital of the Company, to the note holders as mentioned in Note (4), and (ii) an aggregate of 300,000,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 4.92% of the total issued share capital of the Company, to Haitong International Finance Company Limited pursuant to a facility agreement signed in May 2013.
- (3) Warburg Pincus & Co. is indirectly interested in convertible bonds and warrants to subscribe for 535,027,586 and 88,966,743 of the Company’s shares, respectively, and is deemed to be interested in the underlying shares issuable upon conversion.
- (4) 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) and Central Huijin Investment Ltd. are both deemed to be interested in these 1,246,094,000 shares in which Cinda International Securities Limited held as security agent for (i) three note holders pursuant to a share charge executed in May 2012 by Galaxy Earnest Limited in favour of Cinda International Securities Limited involving 587,915,000 shares of the Company and for (ii) twelve note holders pursuant to a note purchase agreement executed in December 2013 by the Company involving 658,179,000 shares of the Company.

Save as disclosed above, as at 31 December 2013, no person, other than Directors or chief executives of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

### SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company (the “**Share Option Scheme**”). As at 31 December 2013, no option was granted under the Share Option Scheme.

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

#### Purpose of the Share Option Scheme

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

#### Participants of the Share Option Scheme

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

#### Total Number of Shares Available for Issue Under the Share Option Scheme and Percentage of Issued Share Capital as at 31 December 2013

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

#### **Maximum Entitlement of Each Participant Under the Share Option Scheme**

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

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

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

#### **The Amount Payable on Application or Acceptance of the Option**

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

#### **The Basis of Determining the Exercise Price**

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

- (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;
- (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

#### **The Remaining Life of the Share Option Scheme**

Up to 9 October 2019.

### **MAJOR CUSTOMERS AND SUPPLIERS**

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

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

### RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 42 to the consolidated financial statements and such transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### CONVERTIBLE BONDS

Reference is made to the announcements of the Company dated 8 February 2013, 28 June 2013, the Company purchased back and redeemed certain 2016 Bonds. On 7 February 2014, the Company issued notice to bondholders to redeem all remaining 2016 Bonds on 10 March 2014.

Pursuant to the redemption notice from the bondholder, the Company redeemed all 2015 Bonds on 15 January 2014.

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

### SENIOR NOTES

Reference is made to the announcements of the Company dated 24 January 2013, 25 January 2013 and 1 February 2013, the Company issued senior notes due 2018 in an aggregate principal amount of US\$100,000,000, bearing interest rate at 13.25% per annum by way of debt issue to professional investors, as described in the offering circular dated 25 January 2013 and the senior notes was listed on Hong Kong Stock Exchange (stock code: 5901).

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

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

#### Mingfa Group Beijing Real Estate Co., Ltd.

Mingfa Group Company Limited made further capital contribution of RMB970 million to the equity capital of Mingfa Group Beijing Real Estate Co., Ltd. in 2013, and following completion of the capital contribution, Mingfa Group Company Limited remained as the sole equity holder holding 100% interest of Mingfa Group Beijing Real Estate Co., Ltd.

#### Zhenjiang Hanxiang Real Estate Co., Ltd.

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of USD30 million to the equity capital of Zhenjiang Hanxiang Real Estate Co., Ltd. in 2013, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED remained as the sole equity holder holding 100% interest of Zhenjiang Hanxiang Real Estate Co., Ltd.

**Mingfa (China) Investments Co., Ltd.**

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of USD30 million to the equity capital of Mingfa (China) Investments Co., Ltd. in 2013, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED remained as the sole equity holder holding 100% interest of Mingfa (China) Investments Co., Ltd.

**Nanjing Mingfa Tongda Electronics and Information Technology Co., Ltd.**

Hong Kong Ming Fat Shui Fung Electronics Technology Co. Limited and Nanjing Software Park Technology Development Co., Ltd. made further capital contribution of USD10 million to the equity capital of Nanjing Mingfa Tongda Electronics and Information Technology Co., Ltd. in 2013, and following completion of the capital contribution, Hong Kong Ming Fat Shui Fung Electronics Technology Co. Limited and Nanjing Software Park Technology Development Co., Ltd. hold 90% and 10% interest of Nanjing Mingfa Tongda Electronics and Information Technology Co., Ltd. respectively.

**Huaian Mingfa International Hotel Co., Ltd.**

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of USD8 million to the equity capital of Huaian Mingfa International Hotel Co., Ltd. in 2013, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED remained as the sole equity holder holding 100% interest of Huaian Mingfa International Hotel Co., Ltd.

**Xiamen Mingfa Daisi Hotel Co., Ltd.**

Mingfa Group Company Limited made further capital contribution of RMB20 million to the equity capital of Xiamen Mingfa Daisi Hotel Co., Ltd. in 2013, and following completion of the capital contribution, Mingfa Group Company Limited remained as the sole equity holder holding 100% interest of Xiamen Mingfa Daisi Hotel Co., Ltd.

**SIGNIFICANT INVESTMENTS**

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

**PARTICIPATION IN THE COMMUNITY AND GIVING BACK TO SOCIETY**

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

In 2013, the Group donated a total of approximately RMB6.6 million to various charitable associations in the PRC to support and finance their charitable activities. In future, the Group will continue to make contributions to support charitable activities and to give back to society.

**PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the year ended 31 December 2013, the Company purchased back certain 2016 Bonds by way of an over-the-counter purchase in an aggregate principal amount of HK\$70,000,000 on 6 February 2013, and the Company redeemed certain 2016 Bonds in an aggregate principal amount of HK\$1,379,000,000 on the put option date (i.e. 24 June 2013). Save for the above mentioned, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2013.

**TAXATION**

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

## MATERIAL LITIGATION AND ARBITRATION

### Dispute Relating to Yangcheng Lake Project

As at the date of this annual report, no judgment for the appeal was made by People's Court of Suzhou Industry Park since the last disclosure made by the Company in its 2013 interim report.

Details of the dispute have been set out in the 2009, 2010, 2011 and 2012 annual reports and in the 2010, 2012 and 2013 interim reports of the Company.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

The Group has no material acquisition or disposal of subsidiaries during the year under review.

## SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in Note 43 to the consolidated financial statements.

There was no matter between the balance sheet date (i.e. 31 December 2013) and the date of this annual report that would cause material impact on the Group.

## AUDITOR

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

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

**Wong Wun Ming**  
*Chairman*

24 March 2014

# Independent Auditor's Report



羅兵咸永道

## TO THE SHAREHOLDERS OF MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 177, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*





羅兵咸永道

### AUDITOR'S RESPONSIBILITY (continued)

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

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

### OPINION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 24 March 2014

# Consolidated Balance Sheet

As at 31 December 2013

		<b>As at 31 December</b>	
	Note	<b>2013</b>	2012
		<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	<b>1,521,738</b>	519,046
Investment properties	7	<b>8,704,268</b>	7,952,701
Land use rights	9	<b>155,829</b>	37,191
Intangible assets	10	<b>7,177</b>	7,184
Associated companies	12	<b>210,435</b>	170,749
Joint ventures	13	<b>264,895</b>	218,459
Deferred income tax assets	26	<b>414,044</b>	427,308
Available-for-sale financial assets	19	<b>20,000</b>	—
Amounts due from non-controlling interests	17	<b>265,000</b>	—
Other receivables	15	<b>13,589</b>	12,961
Other non-current assets	8	<b>2,245,062</b>	3,640,277
		<b>13,822,037</b>	12,985,876
<b>Current assets</b>			
Land use rights	9	<b>6,783,714</b>	4,736,660
Properties under development	11	<b>4,132,947</b>	3,926,069
Completed properties held for sale	14	<b>6,296,805</b>	7,323,116
Inventories		<b>6,834</b>	9,724
Trade and other receivables and prepayments	15	<b>1,447,959</b>	1,159,414
Prepaid income taxes		<b>230,992</b>	163,281
Amounts due from related parties	16	<b>53,879</b>	17,968
Amounts due from non-controlling interests	17	<b>496,620</b>	853,500
Restricted cash	18	<b>1,128,500</b>	458,404
Cash and cash equivalents	18	<b>971,184</b>	680,079
		<b>21,549,434</b>	19,328,215
<b>Total assets</b>		<b>35,371,471</b>	32,314,091
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	21	<b>536,281</b>	536,281
Reserves	22	<b>9,717,806</b>	8,332,506
		<b>10,254,087</b>	8,868,787
<b>Non-controlling interests in equity</b>		<b>988,671</b>	972,158
<b>Total equity</b>		<b>11,242,758</b>	9,840,945

The notes on pages 66 to 177 are an integral part of these financial statements.

## Consolidated Balance Sheet

As at 31 December 2013

		As at 31 December	
	Note	2013 RMB'000	2012 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants	23	1,515,479	1,666,423
Borrowings	24	2,031,671	1,540,560
Deferred income tax liabilities	26	1,949,336	1,753,811
		<b>5,496,486</b>	4,960,794
<b>Current liabilities</b>			
Trade and other payables	27	6,670,142	6,839,950
Advanced proceeds received from customers		2,775,825	2,657,573
Amounts due to related parties	28	348,209	130,549
Amounts due to non-controlling interests	17	160,564	96,374
Income tax payable		2,017,813	1,815,331
Borrowings	24	6,609,730	5,647,275
Derivative financial instruments	25	46,230	310,283
Provision for other liabilities and charges	29	3,714	15,017
		<b>18,632,227</b>	17,512,352
<b>Total liabilities</b>		<b>24,128,713</b>	22,473,146
<b>Total equity and liabilities</b>		<b>35,371,471</b>	32,314,091
<b>Net current assets</b>		<b>2,917,207</b>	1,815,863
<b>Total assets less current liabilities</b>		<b>16,739,244</b>	14,801,739

The notes on pages 66 to 177 are an integral part of these financial statements.

**Wong Wun Ming**  
Director

**Huang Lianchun**  
Director

# Balance Sheet of the Company

As at 31 December 2013

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	20	4,209,080	4,224,124
<b>Current assets</b>			
Amounts due from related parties	16	1	1
Cash and cash equivalents	18	203,513	3,670
		203,514	3,671
<b>Total assets</b>		<b>4,412,594</b>	4,227,795
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	21	536,281	536,281
Reserves	22	449,230	634,925
<b>Total equity</b>		<b>985,511</b>	1,171,206
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	24	599,052	—
<b>Current liabilities</b>			
Trade and other payables	27	614	—
Amounts due to related parties	28	39,312	113,519
Borrowings	24	2,741,875	2,632,787
Derivative financial instruments	25	46,230	310,283
		2,828,031	3,056,589
<b>Total liabilities</b>		<b>3,427,083</b>	3,056,589
<b>Total equity and liabilities</b>		<b>4,412,594</b>	4,227,795
<b>Net current liabilities</b>		<b>(2,624,517)</b>	(3,052,918)
<b>Total assets less current liabilities</b>		<b>1,584,563</b>	1,171,206

The notes on pages 66 to 177 are an integral part of these financial statements.

**Wong Wun Ming**  
Director

**Huang Lianchun**  
Director

# Consolidated Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Revenues</b>	5	<b>6,269,093</b>	3,741,096
Cost of sales	31	<b>(4,067,469)</b>	(2,549,993)
<b>Gross profit</b>		<b>2,201,624</b>	1,191,103
Fair value gains on investment properties	7	<b>453,396</b>	624,629
Fair value gains on derivative financial instruments	3(e)	<b>88,931</b>	340,932
Other gains	30	<b>378,674</b>	1,031,471
Selling and marketing costs	31	<b>(178,541)</b>	(139,251)
Administrative expenses	31	<b>(330,084)</b>	(286,685)
Other operating expenses	31	<b>(33,438)</b>	(19,992)
<b>Operating profit</b>		<b>2,580,562</b>	2,742,207
Finance income	32	<b>15,921</b>	21,726
Finance costs	32	<b>(283,031)</b>	(206,638)
Finance costs — net	32	<b>(267,110)</b>	(184,912)
Share of results of			
— Associated companies	12	<b>(6,946)</b>	(8,269)
— Joint ventures	13	<b>(3,564)</b>	(3,257)
		<b>(10,510)</b>	(11,526)
<b>Profit before income tax</b>		<b>2,302,942</b>	2,545,769
Income tax expense	34	<b>(926,628)</b>	(786,481)
<b>Profit for the year</b>		<b>1,376,314</b>	1,759,288
<b>Attributable to:</b>			
Equity holders of the Company		<b>1,399,229</b>	1,764,745
Non-controlling interests		<b>(22,915)</b>	(5,457)
		<b>1,376,314</b>	1,759,288
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
(RMB cents)	36		
— Basic		<b>23.0</b>	29.0
— Diluted		<b>18.9</b>	20.4
<b>Dividends</b>	35	—	—

The notes on pages 66 to 177 are an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
<b>Profit for the year</b>	<b>1,376,314</b>	1,759,288
<b>Other comprehensive loss, which may be reclassified subsequently to profit or loss</b>		
— Currency translation differences	<b>(13,929)</b>	(7,671)
<b>Total comprehensive income for the year</b>	<b>1,362,385</b>	1,751,617
<b>Attributable to:</b>		
Equity holders of the Company	<b>1,385,300</b>	1,757,074
Non-controlling interests	<b>(22,915)</b>	(5,457)
	<b>1,362,385</b>	1,751,617

The notes on pages 66 to 177 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Capital and reserves attributable to equity holders of the Company			Non-controlling interests	Total
	Share capital	Reserves			
	RMB'000 (Note 21)	RMB'000 (Note 22)		RMB'000	RMB'000
<b>Balance at 1 January 2013</b>	<b>536,281</b>	<b>8,332,506</b>	<b>972,158</b>	<b>9,840,945</b>	
<b>Comprehensive income/(loss)</b>					
Profit for the year	—	1,399,229	(22,915)	1,376,314	
Other comprehensive loss					
— Currency translation differences	—	(13,929)	—	(13,929)	
Total comprehensive income for the year	—	1,385,300	(22,915)	1,362,385	
<b>Transactions with owners</b>					
Capital injection to subsidiaries by non-controlling interests	—	—	31,428	31,428	
Acquisition of subsidiaries	—	—	8,000	8,000	
	—	—	39,428	39,428	
<b>Balance at 31 December 2013</b>	<b>536,281</b>	<b>9,717,806</b>	<b>988,671</b>	<b>11,242,758</b>	

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Capital and reserves attributable to equity holders of the Company		Non- controlling interests	Total
	Share capital RMB'000 (Note 21)	Reserves RMB'000 (Note 22)		
<b>Balance at 1 January 2012</b>	533,843	6,471,880	264,106	7,269,829
<b>Comprehensive income/(loss)</b>				
Profit for the year	—	1,764,745	(5,457)	1,759,288
Other comprehensive loss				
— Currency translation differences	—	(7,671)	—	(7,671)
<b>Total comprehensive income for the year</b>	—	1,757,074	(5,457)	1,751,617
<b>Transactions with owners</b>				
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	2,438	77,642	—	80,080
Capital injection to a subsidiary by non-controlling interests	—	—	1	1
Dividends relating to 2011	—	(247,821)	—	(247,821)
	2,438	(170,179)	1	(167,740)
Acquisition of a subsidiary	—	—	19,110	19,110
Change in ownership interest in a subsidiary without loss of control	—	273,731	694,398	968,129
	2,438	103,552	713,509	819,499
<b>Balance at 31 December 2012</b>	536,281	8,332,506	972,158	9,840,945

The notes on pages 66 to 177 are an integral part of these financial statements.



# Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Operating activities</b>			
Net cash generated from operations	37	<b>576,869</b>	448,386
Interest received		<b>15,294</b>	21,006
Interest paid		<b>(576,422)</b>	(487,940)
PRC enterprise income tax paid		<b>(296,819)</b>	(319,228)
PRC land appreciation tax paid		<b>(204,638)</b>	(130,256)
Net cash used in operating activities		<b>(485,716)</b>	(468,032)
<b>Investing activities</b>			
Additions of property, plant and equipment and investment properties		<b>(227,846)</b>	(102,868)
Net cash advances received from/(made to) related parties		<b>3,000</b>	(3,000)
Net cash advances made to third parties		<b>(176,371)</b>	(104,753)
Cash received in connection with the disposal of partial interest in a subsidiary without loss of control		<b>24,080</b>	200,000
Acquisition of subsidiaries, net of cash acquired		<b>(84,450)</b>	(3,950)
Advances to a joint venture		<b>(50,000)</b>	(42,000)
Advances to associated companies		<b>(40,561)</b>	(6,904)
Capital injection to associated companies		<b>(60,561)</b>	(103,000)
Proceeds from sale of investment properties		<b>178,426</b>	—
Addition of available-for-sale financial assets	19	<b>(20,000)</b>	—
Payments for acquisition of additional interest in a subsidiary		—	(20,000)
Net cash used in investing activities		<b>(454,283)</b>	(186,475)

## Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Financing activities</b>			
Drawdown of borrowings		<b>4,707,437</b>	2,688,160
Repayments of borrowings		<b>(3,545,927)</b>	(2,192,712)
Net cash advances received from non-controlling interests		<b>3,990</b>	4,900
Net cash advances received from related parties		<b>34,623</b>	99,422
Net cash advances received from a joint venture		<b>185,288</b>	—
Net cash advances received from an associated company		<b>600</b>	—
Net cash advances received from third parties		<b>544,857</b>	468,719
Dividends paid		<b>—</b>	(247,242)
Increase in restricted cash relating to financing activities		<b>(710,500)</b>	—
Capital contribution from non-controlling interests		<b>31,428</b>	1
Net cash generated from financing activities		<b>1,251,796</b>	821,248
<b>Effect of foreign exchange rate changes on cash</b>		<b>(5,159)</b>	273
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		<b>306,638</b>	167,014
Cash, cash equivalents and bank overdrafts at beginning of the year		<b>664,546</b>	497,532
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	18	<b>971,184</b>	664,546

The notes on pages 66 to 177 are an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

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

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

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 November 2009.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) *New/revised standards and amendments adopted by the Group in 2013*

The following new/revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2013 and are relevant to the Group's operations.

- HKAS 1 (Amendment) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012). The main change resulting from the amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI.
- HKFRS 7 (Amendment) "Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013). The amendment requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.
- HKFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- HKAS 27 (Revised 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.
- HKFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013). The standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) *New/revised standards and amendments adopted by the Group in 2013 (continued)*

- HKAS 28 (Revised 2011) “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2013). The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.
- HKFRS 12 “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after 1 January 2013). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- HKFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.
- HKFRSs 10, 11 and 12 (Amendments) “Transition Guidance” (effective for annual periods beginning on or after 1 January 2013). These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before HKFRS 12 is first applied.
- Annual improvements 2011 — These annual improvements address six issues in the 2009-2011 reporting cycle. They include changes to the following standards which are relevant to the Group’s operations:

HKAS 1 “Presentation of Financial Statements”

HKAS 16 “Property, Plant and Equipment”

HKAS 32 “Financial Instruments: Presentation”

HKAS 34 “Interim Financial Reporting”

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) *New/revised standards and amendments adopted by the Group in 2013 (continued)*

The adoption of the above new/revised standards and amendments to existing standards in 2013 does not have any significant impact on the Group's consolidated financial statements. Jointly controlled entities of the Group continue to be equity accounted for and are now called joint ventures. Jointly controlled assets continue to be accounted for on a line-by-line basis based on the Group's share of the assets, liabilities, revenue and expenses and are now called joint operations.

#### (ii) *New/revised standards, amendments and interpretation of HKFRSs that have been issued but are not effective in 2013 and have not been early adopted by the Group*

Certain new/revised standards, amendments and interpretation of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2013 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKAS 32 (Amendment) "Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014). The amendment clarifies the requirements for offsetting financial instruments on the balance sheet: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered as equivalent to net settlement systems.
- HKFRS 9 "Financial Instruments: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2015). The standard is the first step in the process to replace HKAS 39. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial assets and financial liabilities. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised standards, amendments and interpretation of HKFRSs that have been issued but are not effective in 2013 and have not been early adopted by the Group (continued)*

- HKFRS 10, 12 and HKAS 27 (Amendments) regarding consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014). These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.
- HKAS 36 (Amendment) "Impairment of Assets" on recoverable amount disclosures (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- HK(IFRIC) 21 "Levies" (effective for annual periods beginning on or after 1 January 2014). This is an interpretation of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Annual improvements 2012 and 2013 — These annual improvements address certain issues in the 2010–2012 reporting cycle and the 2011–2013 reporting cycle (effective for annual periods beginning on or after 1 July 2014). They include changes to the following standards which are relevant to the Group's operations:

HKFRS 3 "Business Combinations"

HKFRS 8 "Operating Segments"

HKAS 16 "Property, Plant and Equipment"

HKAS 38 "Intangible Assets"

HKFRS 13 "Fair Value Measurement"

HKAS 40 "Investment Property"

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised standards, amendments and interpretation of HKFRSs that have been issued but are not effective in 2013 and have not been early adopted by the Group (continued)*

The Group has not early adopted the above or any other new/revised standards, amendments to the existing standards and interpretation that have been issued but are not effective in 2013. The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretation and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

### (b) Subsidiaries

#### (i) *Consolidation*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

#### *Business combinations*

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

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

Acquisition-related costs are expensed as incurred.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (i) Consolidation (continued)

##### *Business combinations (continued)*

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss (Note 2(k)).

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

##### *Changes in ownership interests in subsidiaries without change of control*

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

##### *Disposal of subsidiaries*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (ii) *Separate financial statements*

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

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

### (c) Associated companies

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Joint arrangements

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. There are two types of joint arrangements: joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

- **Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Investment in a joint venture is accounted for using the equity method of accounting. The interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The consolidated balance sheet includes the Group's share of the net assets of the joint ventures and goodwill identified on acquisition (see Note 2(k)) net of any accumulated impairment losses.

- **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

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

### (e) Segment reporting

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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

#### (iii) *Group companies*

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

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

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

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Property, plant and equipment**

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

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

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

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

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

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

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

**(h) Assets under construction**

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Investment properties

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

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

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Investment properties (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as other comprehensive income and recorded in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised as profit or loss in the consolidated income statement. On subsequent disposal of the investment property, the revaluation surplus included in equity is transferred to retained earnings directly and not made through profit or loss.

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

Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gains or losses from fair value adjustments on investment properties.

### (j) Impairment of investments in subsidiaries, associated companies, joint ventures, joint operations and non-financial assets

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

### (k) Intangible assets — goodwill

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Intangible assets — goodwill (continued)

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

### (l) Properties under development

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

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

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

### (m) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

### (n) Derivative financial instruments

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

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

### (o) Inventories

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Trade and other receivables

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

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

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

### (q) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Dividends on available-for-sale financial assets are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established. Fair value adjustments on available-for-sale financial assets are recognised as other comprehensive income and accumulated within equity.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Held-to-maturity investments

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

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

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

### (s) Cash and cash equivalents

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

### (t) Borrowings

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

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

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

### (u) Convertible bonds

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Convertible bonds (continued)

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

If the convertible bonds are converted into ordinary shares, the carrying amounts of the corresponding embedded derivative and debt components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed or repurchased, any difference between the amount paid and the carrying amounts of the corresponding embedded derivative and debt components is recognised in consolidated income statement.

### (v) Current and deferred income tax

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Current and deferred income tax (continued)

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (w) Trade and other payables

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

### (x) Employee benefits

#### (i) Employee leave entitlements

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) Employee benefits (continued)

#### (ii) Retirement benefits

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

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

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

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

### (y) Financial guarantee liabilities

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (z) Provisions and contingent liabilities

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (aa) Revenue recognition

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

#### (i) *Sales of properties*

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

#### (ii) *Rental income*

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms. Guaranteed rental income exceeding the actual amount is recognised when the collectibility is reasonably assured.

#### (iii) *Hotel operating income*

Hotel operating income is recognised when the services are rendered.

#### (iv) *Sales of construction materials*

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

#### (v) *Decoration services*

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

#### (vi) *Interest income*

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

#### (vii) *Dividend income*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ab) Government grants

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

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

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

### (ac) Leases

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

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

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

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

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

#### (iii) *The Group is the lessor*

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

### (ad) Dividend distribution

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



### 3 FINANCIAL RISK MANAGEMENT

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

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

As at 31 December 2013, if RMB had strengthened/weakened by 5% against HK dollar with all variables held constant, the post-tax profit for the year would have been RMB157,831,000 higher/lower (2012: RMB153,691,000 higher/lower), mainly as a result of net foreign currency losses/gains on translation of HK dollar denominated bank deposits, amounts due from/to non-controlling interests, related parties and a third party, certain borrowings and derivative financial instruments.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against US dollar with all variables held constant, the post-tax profit for the year would have been RMB37,527,000 higher/lower (2012: RMB608,000), mainly as a result of net foreign currency losses/gains on translation of US dollar denominated bank deposits and certain borrowings.

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

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

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

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Market risk (continued)

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

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

As at 31 December 2013, if interest rates on bank borrowings in floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB4,456,000 (2012: RMB3,643,000) lower/higher.

#### (b) Credit risk

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

Cash transactions are limited to high-credit-quality financial institutions. The table below shows the bank deposit balances of the five major counterparties as at 31 December 2013.

Counter party	Rating (note)	As at 31 December	
		2013 RMB'000	2012 RMB'000
Bank A	A	881,007	403,786
Bank B	A	377,728	139,639
Bank C	AA-	203,282	1,378
Bank D	A-	201,795	951
Bank E	A	166,754	195,925
		<b>1,830,566</b>	741,679

Note: These are Standard and Poor's credit rating.

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

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

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Group</b>					
<b>As at 31 December 2013</b>					
Borrowings	6,596,933	325,343	1,655,859	72,040	8,650,175
Interest payments on borrowings (note)	557,063	154,507	217,698	3,503	932,771
Trade and other payables	6,670,142	—	—	—	6,670,142
Amounts due to related parties	348,209	—	—	—	348,209
Amounts due to non-controlling interests	160,564	—	—	—	160,564
Financial guarantees	4,147,595	—	—	—	4,147,595
	<b>18,480,506</b>	<b>479,850</b>	<b>1,873,557</b>	<b>75,543</b>	<b>20,909,456</b>
<b>As at 31 December 2012</b>					
Borrowings	6,002,667	334,120	1,007,630	198,810	7,543,227
Interest payments on borrowings (note)	433,656	371,012	518,932	77,177	1,400,777
Trade and other payables	6,839,950	—	—	—	6,839,950
Amounts due to related parties	130,549	—	—	—	130,549
Amounts due to non-controlling interests	96,374	—	—	—	96,374
Financial guarantees	3,080,495	—	—	—	3,080,495
	16,583,691	705,132	1,526,562	275,987	19,091,372

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2013 and 2012 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2013 and 2012 respectively.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Company</b>					
<b>At 31 December 2013</b>					
Borrowings	2,729,077	—	620,623	—	3,349,700
Interest payments on borrowings (note)	184,505	78,739	163,587	—	426,831
Trade and other payables	614	—	—	—	614
Amounts due to related parties	39,312	—	—	—	39,312
	<b>2,953,508</b>	<b>78,739</b>	<b>784,210</b>	<b>—</b>	<b>3,816,457</b>
<b>At 31 December 2012</b>					
Borrowings	2,988,177	—	—	—	2,988,177
Interest payments on borrowings (note)	129,919	—	—	—	129,919
Amounts due to related parties	113,519	—	—	—	113,519
	<b>3,231,615</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,231,615</b>

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2013 and 2012 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2013 and 2012 respectively.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (d) Capital risk management

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

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

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

The gearing ratios at 31 December 2013 and 2012 were as follows:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Borrowings and derivative financial instruments	<b>8,687,631</b>	7,498,118
Less: Cash and cash equivalents	<b>(971,184)</b>	(680,079)
Net debt	<b>7,716,447</b>	6,818,039
Total equity	<b>11,242,758</b>	9,840,945
Total capital	<b>18,959,205</b>	16,658,984
Gearing ratio	<b>40.7%</b>	40.9%

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (e) Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013. See Note 7 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	—	—	20,000	20,000
Financial liabilities at fair value through profit or loss — derivative financial instruments	—	—	46,230	46,230

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

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

#### (i) Financial instruments in level 1

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

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (e) Fair value estimation (continued)

##### (ii) Financial instruments in level 2

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

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

##### (iii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	<b>Available-for- sale financial assets 2013 RMB'000</b>
Opening balance	—
Addition	<b>20,000</b>
Closing balance	<b>20,000</b>
Total gains or losses for the year included in profit or loss for available-for-sale financial assets at the end of the reporting period	—

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (e) Fair value estimation (continued)

##### (iii) Financial instruments in level 3 (continued)

	Derivative financial instruments	
	2013 RMB'000	2012 RMB'000
Opening balance	310,283	670,344
Conversion of convertible bonds	—	(19,129)
Repurchase of convertible bonds	(11,035)	—
Redemption of convertible bonds	(164,087)	—
Gains recognised in profit or loss	(88,931)	(340,932)
Closing balance	46,230	310,283
Total gains for the year included in profit or loss for derivative financial liabilities at the end of the reporting period	(88,931)	(340,932)

#### (f) Financial instruments by category

##### Group

Assets as per balance sheet	As at 31 December	
	2013 RMB'000	2012 RMB'000
<b>Loans and receivables</b>		
Trade and other receivables	1,035,089	789,395
Amounts due from related parties	53,879	17,968
Amounts due from non-controlling interests	761,620	853,500
Restricted cash	1,128,500	458,404
Cash and cash equivalents	971,184	680,079
	3,950,272	2,799,346
<b>Available-for-sale financial assets</b>	20,000	—
Total	3,970,272	2,799,346



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (f) Financial instruments by category (continued)

##### Group (continued)

Liabilities as per balance sheet	As at 31 December 2013			As at 31 December 2012		
	Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	—	8,641,401	8,641,401	—	7,187,835	7,187,835
Trade and other payables (excluding other taxes payable)	—	6,456,140	6,456,140	—	6,685,376	6,685,376
Derivative financial instruments	46,230	—	46,230	310,283	—	310,283
Amounts due to related parties	—	348,209	348,209	—	130,549	130,549
Amounts due to non-controlling interests	—	160,564	160,564	—	96,374	96,374
<b>Total</b>	<b>46,230</b>	<b>15,606,314</b>	<b>15,652,544</b>	<b>310,283</b>	<b>14,100,134</b>	<b>14,410,417</b>

##### Company

Assets as per balance sheet	As at 31 December	
	2013 RMB'000	2012 RMB'000
<b>Loans and receivables</b>		
Amounts due from related parties	1	1
Cash and cash equivalents	203,513	3,670
<b>Total</b>	<b>203,514</b>	<b>3,671</b>

Liabilities as per balance sheet	As at 31 December 2013			As at 31 December 2012		
	Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	—	3,340,927	3,340,927	—	2,632,787	2,632,787
Other payables	—	614	614	—	—	—
Amounts due to related parties	—	39,312	39,312	—	113,519	113,519
Derivative financial instruments	46,230	—	46,230	310,283	—	310,283
<b>Total</b>	<b>46,230</b>	<b>3,380,853</b>	<b>3,427,083</b>	<b>310,283</b>	<b>2,746,306</b>	<b>3,056,589</b>

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (a) Income taxes and deferred taxation

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

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

### (b) Land appreciation tax

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

### (c) Impairment of goodwill

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (d) Estimated fair value of investment properties

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

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

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions are disclosed in Note 7.

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

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

### (f) Provision for delay in delivering properties

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (g) Fair value of derivatives and other financial instruments

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

The carrying amount of derivative financial instruments as at 31 December 2013 and the post-tax profit for the year would have been approximately RMB12,906,000 (2012: RMB31,374,000) and RMB19,579,000 (2012: RMB63,485,000) lower respectively were the expected volatility increase by 3% and 5% from management's estimates.

### (h) Joint operation with Powerlong Group Development Co., Ltd. ("Baolong")

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

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

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (h) Joint operation with Powerlong Group Development Co., Ltd. (“Baolong”) (continued)

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

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

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

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

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (h) Joint operation with Powerlong Group Development Co., Ltd. ("Baolong") (continued)

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

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

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

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

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

## 5 REVENUES AND SEGMENT INFORMATION

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

- (i) the property development segment engages in real estate development, and is further segregated into commercial and residential;
- (ii) the hotel segment engages in hotel operation;
- (iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential, hotel and commercial properties.

## 5 REVENUES AND SEGMENT INFORMATION (continued)

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

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

Inter-segment revenues are eliminated on consolidation.

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

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

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

### (a) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Sale of properties		
— commercial	2,014,641	711,070
— residential	3,828,986	2,767,252
	5,843,627	3,478,322
Hotel operating income	80,554	49,422
Rental income		
— from investment properties	306,859	186,629
— others	10,460	7,564
Property management fee income	27,593	19,159
	6,269,093	3,741,096

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (b) Segment information

The segment results and other segment items for the year ended 31 December 2013 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	2,014,641	3,828,986	84,164	344,912	—	—	6,272,703
Inter-segment revenues	—	—	(3,610)	—	—	—	(3,610)
Revenues	2,014,641	3,828,986	80,554	344,912	—	—	6,269,093
Operating profit/(loss)	825,038	763,225	(43,286)	876,221	159,364	—	2,580,562
Finance costs — net							(267,110)
Share of results of associated companies	(1,645)	(5,301)	—	—	—	—	(6,946)
Share of results of joint ventures	(953)	(2,611)	—	—	—	—	(3,564)
Profit before income tax							2,302,942
Income tax expense							(926,628)
Profit for the year							1,376,314
<b>Other segment information</b>							
Capital and property development expenditure	1,491,535	3,135,114	34,644	169,091	—	—	4,830,384
Depreciation	3,035	13,668	26,197	1,710	4,517	—	49,127
Amortisation of land use rights as expenses	3,921	2,503	—	—	—	—	6,424
Fair value gains on investment properties	—	—	—	453,396	—	—	453,396
Fair value gains on derivative financial instruments	—	—	—	—	88,931	—	88,931
Net loss from repurchase and redemption of 2016 Bonds	—	—	—	—	11,442	—	11,442
Impairment of goodwill recognised as expenses	—	7	—	—	—	—	7



## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

The segment assets and liabilities as at 31 December 2013 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	15,550,412	19,290,502	2,052,058	10,228,574	6,708,059	(19,578,500)	34,251,105
Associated companies	160,801	49,634	—	—	—	—	210,435
Joint ventures	70,178	192,228	—	2,489	—	—	264,895
	<b>15,781,391</b>	<b>19,532,364</b>	<b>2,052,058</b>	<b>10,231,063</b>	<b>6,708,059</b>	<b>(19,578,500)</b>	<b>34,726,435</b>
Unallocated:							
Deferred income tax assets							414,044
Prepaid income taxes							230,992
Total assets							<b>35,371,471</b>
Segment liabilities	8,641,066	13,421,939	218,653	606,539	8,164,236	(19,578,500)	11,473,933
Unallocated:							
Deferred income tax liabilities							1,949,336
Borrowings							8,641,401
Derivative financial instruments							46,230
Income tax payable							2,017,813
Total liabilities							<b>24,128,713</b>

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

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

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

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (b) Segment information (continued)

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

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

## 6 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>							
As at 1 January 2013	—	395,797	9,611	48,198	78,984	120,331	652,921
Additions	—	5,000	687	13,069	15,752	—	34,508
Transfer from completed properties held for sale, to be converted into hotel buildings	1,017,372	—	—	—	—	—	1,017,372
Disposals	—	—	—	(76)	(268)	—	(344)
As at 31 December 2013	1,017,372	400,797	10,298	61,191	94,468	120,331	1,704,457
<b>Accumulated depreciation</b>							
As at 1 January 2013	—	(49,732)	(6,581)	(22,761)	(46,788)	(8,013)	(133,875)
Charge for the year	—	(24,324)	(906)	(8,306)	(11,924)	(3,667)	(49,127)
Disposals	—	—	—	54	229	—	283
As at 31 December 2013	—	(74,056)	(7,487)	(31,013)	(58,483)	(11,680)	(182,719)
<b>Net book value</b>							
As at 31 December 2013	1,017,372	326,741	2,811	30,178	35,985	108,651	1,521,738

## 6 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

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

Depreciation of property, plant and equipment of RMB49,127,000 (2012: RMB36,216,000) has been charged to the consolidated income statement.

As at 31 December 2013, certain buildings of RMB315,599,000 (2012: RMB110,814,000) were pledged as collateral for the Group's borrowings (Note 24).

There was no interest capitalised in assets under construction for the year ended 31 December 2013 (2012: Nil).

## 7 INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	7,952,701	6,847,156
Additions	163,147	198,025
Transfer from land use rights (Note 9)	223,151	16,741
Transfer from deferred government grants (Note 23)	(123,563)	—
Transfer from completed properties held for sale	172,436	291,505
Fair value gains	453,396	624,629
Disposals	(137,000)	(25,355)
Ending balance	8,704,268	7,952,701

The investment properties were revalued on an existing use basis at each balance sheet date by DTZ Debenham Tie Leung Limited (“DTZ”), an independent professional qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The estimated future development costs of investment properties under construction were deducted when arriving at the fair value of such properties which amounted to RMB170,000,000 as at 31 December 2013 (2012: RMB680,000,000).

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	8,704,268	7,952,701

As at 31 December 2013, investment properties of RMB3,849,948,000 (2012:RMB3,844,390,000) were pledged as collateral for the Group’s borrowings (Note 24).

## 7 INVESTMENT PROPERTIES — GROUP (continued)

### Fair value hierarchy

Description	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	8,534,268
— Investment properties under development	—	—	170,000
<b>Total</b>	<b>—</b>	<b>—</b>	<b>8,704,268</b>

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

### Fair value measurements using significant unobservable inputs (Level 3)

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,272,701	680,000	7,952,701
Additions	72,223	90,924	163,147
Transfer from land use rights	6,594	216,557	223,151
Transfer from deferred government grants	—	(123,563)	(123,563)
Transfer from completed properties held for sale	172,436	—	172,436
Transfer upon completion	1,000,000	(1,000,000)	—
Fair value gains	147,314	306,082	453,396
Disposals	(137,000)	—	(137,000)
<b>Ending balance</b>	<b>8,534,268</b>	<b>170,000</b>	<b>8,704,268</b>
Total gains for the year included in profit or loss under fair value gains on investment properties	147,314	306,082	453,396

## 7 INVESTMENT PROPERTIES — GROUP (continued)

### Valuation processes of the Group

The Group's investment properties were valued at 31 December 2013 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer, including:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

### Valuation techniques

For completed investment properties, the valuation was determined using the income capitalisation approach which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.



## 7 INVESTMENT PROPERTIES — GROUP (continued)

### Valuation techniques (continued)

For investment properties under development, the valuation was based on a direct comparison model taking into account the following estimates (in addition to the inputs noted above)

Costs to complete	These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin;
Completion dates	Properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the year.

### Information about fair value measurements using significant unobservable inputs (Level 3) for the year ended 31 December 2013

Description	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Income capitalisation approach	Rental value	RMB20–303 per month per square meter	The higher the market rent, the higher the fair value
		Term yield	5.00%–6.50%	The higher the term yield, the lower the fair value
		Reversionary yield	5.50%–7.00%	The higher the reversionary yield, the lower the fair value
Investment properties under development	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB175,000,000	The higher the estimated costs, the lower the fair value
		Direct comparison value	RMB7,000–8,000 per square meter	The higher the direct comparison value, the higher the fair value
		Estimated profit margin required to hold and develop property to completion	20% of property value	The higher the profit margin required, the lower the fair value

## 7 INVESTMENT PROPERTIES — GROUP (continued)

### Information about fair value measurements using significant unobservable inputs (Level 3) for the year ended 31 December 2013 (continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under development, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

## 8 OTHER NON-CURRENT ASSETS — GROUP

	As at 31 December 2013 RMB'000	2012 RMB'000
Prepayments or deposits for land use rights (note (a))	2,120,092	3,513,027
Prepayments for acquisition of a subsidiary (note (b))	33,000	33,000
Unamortised development costs for properties where the use rights had been transferred (note (c))	91,970	94,250
	<b>2,245,062</b>	<b>3,640,277</b>

#### Notes:

- (a) The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.
- (b) Pursuant to the equity transfer agreement entered into between the Group and a third party in January 2010, the Group agreed to purchase 100% equity interest of a company, established in Chengdu of the PRC at a cash consideration of approximately RMB42,544,000. The Group paid RMB33,000,000 in 2010 as prepayments and the acquisition has not been completed as at 31 December 2013.
- (c) The Group had entered into certain "Transfer of Right to Use Properties" agreements with the transferees to grant them the right to occupy and use the relevant properties as stated in the agreements for a term commencing from the property delivery date up to the expiry date of the Group's use right of 50 years to the land on which the properties are located. As consideration, the transferees agreed to pay upfront proceeds for the entire term to the Group. Under the relevant PRC regulations, such agreements can only be treated as operating leases of 20 years. These agreements are not regarded as finance leases because the term commencing from the end of the first 20 years up to the expiry of the term of 50 years as specified in the agreements could be subjected to challenge, and therefore the risks and rewards over this remaining period are not considered as passed to the transferees. Accordingly the upfront proceeds are recognised as income on a straight-line basis over the entire grant term specified in the agreements with the unamortised balance amounting to RMB151,692,000 as at 31 December 2013 (2012: RMB155,287,000) recorded under advanced proceeds received from customers in current liabilities. The cost of these properties are transferred from assets under construction under property, plant and equipment to other non-current assets upon completion and thereafter amortised to the consolidated income statement on a straight-line basis over the term up to expiry date of the related land use right of 50 years held by the Group.

## 9 LAND USE RIGHTS — GROUP

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening balance	4,773,851	3,723,768
Additions	3,376,193	1,533,084
Amortisation		
— capitalised in property, plant and equipment	—	(57)
— capitalised in properties under development	(108,774)	(78,711)
— recognised as expenses	(6,424)	(7,241)
Transfer to cost of sales	(872,152)	(380,251)
Transfer to investment property (Note 7)	(223,151)	(16,741)
Ending balance	6,939,543	4,773,851
Land use rights		
— relating to property, plant and equipment under non-current assets	155,829	37,191
— relating to properties developed for sale under current assets	6,783,714	4,736,660
	6,939,543	4,773,851
Outside Hong Kong, held on leases of:		
Over 50 years	2,797,999	1,967,036
Between 10 to 50 years	4,141,544	2,806,815
	6,939,543	4,773,851

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

Amortisation of land use rights of RMB6,424,000 (2012: RMB7,241,000) has been charged to the administrative expenses.

As at 31 December 2013, land use rights of RMB2,572,355,000 (2012: RMB1,774,478,000) were pledged as collateral for the Group's borrowings (Note 24).

## 10 INTANGIBLE ASSETS — GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening balance	7,184	7,220
Impairment of goodwill recognised as expenses (note)	(7)	(36)
Ending balance	7,177	7,184

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

### Impairment tests for goodwill

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Property development	7,177	7,184

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

**11 PROPERTIES UNDER DEVELOPMENT — GROUP**

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	<b>3,280,837</b>	3,489,103
Interest capitalised	<b>852,110</b>	436,966
	<b>4,132,947</b>	3,926,069
	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest capitalised		
Opening balance	<b>436,966</b>	302,922
Additions (Note 32)	<b>565,507</b>	512,018
Transfer to cost of sales	<b>(90,127)</b>	(101,426)
Transfer to completed properties held for sale	<b>(61,066)</b>	(265,984)
Transfer to investment properties	<b>830</b>	(10,564)
Ending balance	<b>852,110</b>	436,966

The properties under development are all located in the PRC.

As at 31 December 2013, properties under development of RMB498,144,000 (2012: RMB491,305,000 ) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 9.31% for the year ended 31 December 2013 (2012: 10.24%)

**12 ASSOCIATED COMPANIES — GROUP**

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

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

## 12 ASSOCIATED COMPANIES — GROUP (continued)

On 6 February 2013, the Group obtained 49% equity interest in Nanjing Software Valley Mingfa Communications Technology Development Co., Ltd. ("Mingfa Tongxin"), an unlisted entity incorporated in the PRC, by injecting cash capital of US\$9,800,000 (equivalent to RMB60,561,000).

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening balance	170,749	83,689
Additions	60,561	103,000
Share of results		
— Loss for the year	(6,946)	(8,269)
Share of other comprehensive loss		
— Exchange differences	(13,929)	(7,671)
Ending balance	210,435	170,749

### Nature of investments in associated companies in 2013 and 2012

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights	Japan	33.33%	Equity accounting
Shimao Ke Rui	PRC	25.00%	Equity accounting
Mingfa Tongxin	PRC	49.00%	Equity accounting

The following amounts represent the Group's share of assets (including goodwill) and liabilities, and results of the associated companies.

	Eagle Rights		Shimao Ke Rui		Mingfa Tongxin		Total	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
<b>Assets</b>								
Non-current assets	25,785	33,856	88	181	153	—	26,026	34,037
Current assets	33,948	42,909	157,377	119,479	63,381	—	254,706	162,388
	59,733	76,765	157,465	119,660	63,534	—	280,732	196,425
<b>Liabilities</b>								
Current liabilities	(10,099)	(7,902)	(56,713)	(17,774)	(3,485)	—	(70,297)	(25,676)
<b>Net assets</b>	49,634	68,863	100,752	101,886	60,049	—	210,435	170,749

## 12 ASSOCIATED COMPANIES — GROUP (continued)

	Eagle Rights		Shimao Ke Rui		Mingfa Tongxin		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6,524	8,435	—	—	—	—	6,524	8,435
Expenses	(11,824)	(15,590)	(1,134)	(1,114)	(512)	—	(13,470)	(16,704)
Loss after tax	(5,300)	(7,155)	(1,134)	(1,114)	(512)	—	(6,946)	(8,269)
Exchange differences	(13,929)	(7,671)	—	—	—	—	(13,929)	(7,671)
Total comprehensive loss	(19,229)	(14,826)	(1,134)	(1,114)	(512)	—	(20,875)	(15,940)

There are no contingent liabilities relating to the Group's interests in the associated companies.

The information above reflects the amounts presented in the financial statements of the associated companies adjusted for differences in accounting policies between the Group and the associated companies.

## 13 JOINT ARRANGEMENTS — GROUP

### (a) Joint ventures

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	218,459	179,716
Share of results		
— Loss for the year	(3,564)	(3,257)
Advances to a joint venture (note (a))	50,000	42,000
Ending balance	264,895	218,459

Note:

- (a) Pursuant to agreement dated 31 December 2009, the Group agreed to cooperatively develop a project with a joint venture party named Fujian Nan'an Guanyao Foodstuff City Investment Development Co., Ltd. ("Nan'an Guanyao Foodstuff City"). To complete the transaction, Nan'an Guanyao Foodstuff City and the Group set up a joint venture named as Quanzhou Mingfa Huachang Development and Construction Co., Ltd ("Quanzhou Huachang") and injected capital of RMB5,000,000 respectively according to their respective share percentages of 50% and 50% in 2010. Nan'an Guanyao Foodstuff City assisted the joint venture to obtain the land use rights. On 5 January 2011, the Group and Nan'an Guanyao Foodstuff City further injected capital of RMB50,000,000 respectively according to their respective share percentages of 50% and 50% in the joint venture. In 2013, the Group advanced RMB50,000,000 (2012: RMB42,000,000) to the joint venture for property development.

### 13 JOINT ARRANGEMENTS — GROUP (continued)

#### (a) Joint ventures (continued)

##### *Nature of investments in joint ventures in 2013 and 2012*

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

The following amounts represent the Group's 50% share of the assets (including goodwill) and liabilities, and results of the joint ventures.

	Quanzhou Huachang		Mingsheng Quanzhou		Total	
	As at 31 December 2013	2012	As at 31 December 2013	2012	As at 31 December 2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>						
Non-current assets	522	714	—	—	522	714
Current assets	399,560	282,379	2,495	2,492	402,055	284,871
	400,082	283,093	2,495	2,492	402,577	285,585
<b>Liabilities</b>						
Current liabilities	(137,676)	(67,123)	(6)	(3)	(137,682)	(67,126)
<b>Net assets</b>	262,406	215,970	2,489	2,489	264,895	218,459
	Quanzhou Huachang		Mingsheng Quanzhou		Total	
	Year ended 31 December 2013	2012	Year ended 31 December 2013	2012	Year ended 31 December 2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income	496	36	16	1	512	37
Expenses	(4,060)	(3,288)	(16)	(6)	(4,076)	(3,294)
<b>Loss after tax/Total comprehensive loss</b>	(3,564)	(3,252)	—	(5)	(3,564)	(3,257)

There are no contingent liabilities relating to the Group's interests in the joint ventures.

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures.



### 13 JOINT ARRANGEMENTS — GROUP (continued)

#### (b) Joint operation

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

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
<b>Assets</b>		
Non-current assets	<b>295,518</b>	260,885
Current assets	<b>553,541</b>	620,913
	<b>849,059</b>	881,798
<b>Liabilities</b>		
Non-current liabilities	<b>166,772</b>	164,622
Current liabilities	<b>480,112</b>	501,933
	<b>646,884</b>	666,555
<b>Net assets</b>	<b>202,175</b>	215,243
	<b>Year ended 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Income	<b>30,649</b>	91,676
Fair value gains on investment properties	<b>2,306</b>	162,597
Expenses	<b>(46,023)</b>	(97,275)
<b>(Loss)/profit after income tax</b>	<b>(13,068)</b>	156,998
Proportionate interest in joint operation's		
— operating lease rentals receivable	<b>448,911</b>	508,510
— financial guarantees	<b>123,742</b>	175,749

## 14 COMPLETED PROPERTIES HELD FOR SALE — GROUP

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

As at 31 December 2013, completed properties held for sale of RMB1,115,571,000 (2012: RMB2,322,693,000) were pledged as collateral for the Group's borrowings (Note 24).

As at 31 December 2013, there was no impairment provision made on completed properties held for sale (2012: Nil).

## 15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade receivables (note (a))	<b>298,733</b>	209,054
Less: Provision for impairment of trade receivables (note (d))	<b>(49,136)</b>	(47,461)
Trade receivables — net	<b>249,597</b>	161,593
Deposits for resettlement costs	<b>2,755</b>	755
Deposits for land purchases	<b>28,050</b>	79,300
Advances to third parties (note (c))	<b>280,826</b>	208,825
Receivable in connection with the disposal of a joint venture (note (e))	<b>204,479</b>	204,479
Other receivables	<b>269,382</b>	134,443
Prepayments for construction costs	<b>257,016</b>	234,184
Prepaid business tax and other levies on pre-sale proceeds	<b>169,443</b>	148,796
	<b>1,461,548</b>	1,172,375
Less: Non-current portion of other receivables (note (b))	<b>(13,589)</b>	(12,961)
Current portion	<b>1,447,959</b>	1,159,414

As at 31 December 2013 and 2012, the fair values of trade receivables, deposits for resettlement costs and land purchases, advances to third parties, receivable in connection with a disposal of equity interest and other receivables approximate their carrying amounts.

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

Notes:

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

The ageing analysis of trade receivables is as follows:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Within 90 days	<b>74,298</b>	60,775
Over 90 days and within 1 year	<b>92,235</b>	90,420
Over 1 year and within 2 years	<b>85,346</b>	13,379
Over 2 years	<b>46,854</b>	44,480
	<b>298,733</b>	209,054

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

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Within 90 days	<b>5,189</b>	7,818
Over 90 days and within 1 year	<b>5,509</b>	6,514
	<b>10,698</b>	14,332

As at 31 December 2013, trade receivables of RMB10,698,000 (2012: RMB14,332,000) which were past due but not impaired have been received subsequent to the year end.

As at 31 December 2013, trade receivables of RMB49,136,000 (2012: RMB47,461,000) are considered impaired. The aging of these receivables are over 1 year.

- (b) Non-current other receivables represent the unsettled proceeds from the sale of a building included in property, plant and equipment which are to be collected over a period of seven years. The receivables were initially recognised at fair value based on cash flows discounted using a rate of 5.94%.
- (c) The advances to third parties are unsecured, interest-free and have no fixed repayment terms.

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

Notes: (continued)

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening balance	47,461	52,589
Additional/(Reversal of) provision for receivable impairment	2,103	(1,741)
Receivables written off during the year as uncollectible	(428)	(3,387)
Ending balance	49,136	47,461

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

## 16 AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2013 RMB'000	2012 RMB'000
<b>Group</b>		
Controlled by the Controlling Shareholders		
Growing Group Limited (“Growing Group”)	105	110
Better Luck Group Limited (“Better Luck”)	50	51
Gainday Holdings Limited (“Gainday”)	50	51
Tin Sun Holdings Limited (“Tin Sun Holdings”)	50	51
Run Fast International Limited	25	26
Bloom Luck Holdings Limited	28	29
Xiamen Mingfa Property Development Company Limited (廈門市明發物業發展有限公司) (“Xiamen Property Development”)	645	257
Common directors		
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥製品有限公司) (“Nanjing Qianqiuye”)	667	5,695
Associated companies (Note 12)		
Eagle Rights (鈞濠有限公司)	9,759	6,698
Shimao Ke Rui (長春世茂科瑞置業有限公司)	42,500	5,000
	53,879	17,968



**17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP**

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Amounts due from non-controlling interests:		
Nanjing Software Valley Development Company Limited (南京軟件谷發展有限公司) (“Nanjing Software Valley”)	<b>742,600</b>	853,500
Nanjing Dingshan City Industrial Park Investment Development Co., Ltd. (南京頂山都市產業園投資發展有限公司)	<b>3,710</b>	—
Nanjing Jiangbei New City Co., Ltd. (南京江北新城投資發展有限公司)	<b>15,310</b>	—
	<b>761,620</b>	853,500
Less: Non-current portion of amounts due from Nanjing Software Valley	<b>(265,000)</b>	—
Current portion	<b>496,620</b>	853,500
Amounts due to non-controlling interests:		
Tai San Trading Company (泰山貿易公司)	<b>16,211</b>	16,211
Netnice Company Limited (美而實有限公司)	<b>62,547</b>	64,493
Gansu Zhongke Industry Co., Ltd. (甘肅中科實業有限公司)	<b>37,580</b>	14,570
Fuli (H.K.) International Group Investment Limited (富麗(香港)國際集團投資有限公司)	<b>1,100</b>	1,100
Xiamen Dingsheng Weiye Energy Investment Co. Ltd. (廈門鼎盛偉業能源投資有限公司)	<b>43,126</b>	—
	<b>160,564</b>	96,374
	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Amounts due from non-controlling interests: Denominated in RMB	<b>761,620</b>	853,500
Amounts due to non-controlling interests: Denominated in RMB	<b>98,017</b>	31,881
Denominated in HK\$	<b>62,547</b>	64,493
	<b>160,564</b>	96,374

Except for an amount of RMB742,600,000 due from Nanjing Software Valley, the balances with non-controlling interests were unsecured, interest-free, had no fixed repayment terms and were non-trade in nature. The fair value of the non-current receivables from Nanjing Software Valley which are expected to be fully settled by 2016 are based on cash flows discounted using a market rate which are within level 2 of the fair value hierarchy.

**18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH**

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
<b>Group</b>		
Cash at bank and in hand:		
Denominated in RMB	<b>1,877,998</b>	1,114,934
Denominated in HK\$	<b>9,609</b>	16,030
Denominated in US\$	<b>212,077</b>	7,519
	<b>2,099,684</b>	1,138,483
Less: Restricted cash	<b>(1,128,500)</b>	(458,404)
Total cash and cash equivalents	<b>971,184</b>	680,079
<b>Company</b>		
Cash at bank and in hand:		
Denominated in HK\$	<b>1,679</b>	3,662
Denominated in US\$	<b>201,834</b>	8
Total cash and cash equivalents	<b>203,513</b>	3,670

As at 31 December 2013, the Group's cash of approximately RMB1,118,000,000 (2012: RMB355,000,000) was restricted and deposited in certain banks as security for certain bank borrowings (Note 24).

As at 31 December 2013, there was no cash restricted and deposited in certain banks as security for project construction (2012: RMB40,404,000).

As at 31 December 2013, the Group's cash of approximately RMB10,500,000 (2012: RMB63,000,000) was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

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

The weighted average effective interest rate on bank deposits as at 31 December 2013 was 1.86% (2012: 0.72%).

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

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Cash and cash equivalents	<b>971,184</b>	680,079
Bank overdrafts (Note 24)	<b>—</b>	(15,533)
	<b>971,184</b>	664,546

**19 AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	Year ended 31 December 2013 RMB'000
Opening balance	—
Addition	20,000
Ending balance	20,000
Less: Non-current portion	(20,000)
Current portion	—

Available-for-sale financial assets represented equity investment of 10% in a newly established PRC shareholding limited company engaging in micro-lending businesses and are stated at fair value. There is no significant change in fair value of the financial assets as at 31 December 2013 from the investment cost.

**20 INVESTMENT IN SUBSIDIARIES — COMPANY****(a) Investments in subsidiaries**

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	4,209,080	4,224,124
	<b>4,209,080</b>	4,224,124

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

Details of the subsidiaries of the Group as at 31 December 2013 are set out in Note 39.



## 20 INVESTMENT IN SUBSIDIARIES — COMPANY (continued)

### (b) Material non-controlling interests

The total non-controlling interests as at 31 December 2013 are RMB998,671,000 of which RMB685,626,000 relates to Nanjing Software Valley Mingfa Information Technology Development Company Limited (“Software Valley Mingfa”). The other non-controlling interests are not material.

Set out below is the summarised financial information for Software Valley Mingfa which has non-controlling interests that is material to the Group. The financial information represents the amounts before intra-group transactions elimination.

#### *Summarised balance sheet*

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
<b>Current</b>		
Assets	<b>436,582</b>	344,703
Liabilities	<b>(792,356)</b>	(777,565)
Total current net liabilities	<b>(355,774)</b>	(432,862)
<b>Non-current</b>		
Assets	<b>2,020,010</b>	2,000,000
Liabilities	<b>(265,000)</b>	(150,000)
Total non-current net assets	<b>1,755,010</b>	1,850,000
<b>Net assets</b>	<b>1,399,236</b>	1,417,138

## 20 INVESTMENT IN SUBSIDIARIES — COMPANY (continued)

### (b) Material non-controlling interests (continued)

#### Summarised income statement

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
<b>Revenue</b>	<b>146,580</b>	—
Profit/(loss) before income tax	<b>114,502</b>	(31,429)
Income tax	<b>(28,625)</b>	7,857
<b>Post-tax profit (loss)/Total comprehensive income (loss)</b>	<b>85,877</b>	(23,572)

#### Summarised cash flows

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Cash flows from operating activities:		
Cash used in operations	<b>(11,894)</b>	(4,483)
Interest paid	<b>(21,380)</b>	(25,947)
<b>Net cash used in operating activities</b>	<b>(33,274)</b>	(30,430)
<b>Net cash used in investing activities</b>	<b>(338,629)</b>	(323,545)
<b>Net cash generated from financing activities</b>	<b>372,100</b>	354,289
<b>Net increase in cash and cash equivalents</b>	<b>197</b>	314
Cash and cash equivalents at beginning of the year	<b>1,118</b>	804
<b>Cash and cash equivalents at end of the year</b>	<b>1,315</b>	1,118

#### Significant restrictions

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB1,315,000 as at 31 December 2013 of Software Valley Mingfa are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

**21 SHARE CAPITAL**

	Par value HK\$	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent RMB
Authorised:				
At 1 January 2012, 31 December 2012 and at 31 December 2013	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 31 December 2012 and at 31 December 2013	0.1	6,093,451,026	609,345,103	536,280,877
At 1 January 2012		6,063,470,969	606,347,097	533,842,510
Issue of shares in connection with conversion of convertible bonds (note)	0.1	29,980,057	2,998,006	2,438,367
At 31 December 2012	0.1	6,093,451,026	609,345,103	536,280,877

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

## 22 RESERVES

### Group

	Merger reserve RMB'000 note (a)	Share premium RMB'000	Revaluation surplus RMB'000 note (b)	Contributions from equity holders RMB'000 note (c)	Statutory reserves RMB'000 note (d)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2013	146,601	631,266	264,979	209,196	125,509	266,060	6,688,895	8,332,506
<b>Comprehensive income/(loss)</b>								
Profit for the year	—	—	—	—	—	—	1,399,229	1,399,229
Other comprehensive loss, which may be reclassified subsequently to profit or loss — Currency translation differences	—	—	—	—	—	(13,929)	—	(13,929)
Total comprehensive income for the year attributable to equity holders of the Company	—	—	—	—	—	(13,929)	1,399,229	1,385,300
Transfer of net revaluation surplus to retained earnings upon disposal of certain investment properties which were formerly owner- occupied properties	—	—	(11,278)	—	—	—	11,278	—
	146,601	631,266	253,701	209,196	125,509	252,131	8,099,402	9,717,806
Representing:								
Proposed final dividend								—
Others								9,717,806
								9,717,806

## Notes to the Consolidated Financial Statements

### 22 RESERVES (continued)

#### Group (continued)

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

**22 RESERVES (continued)****Company**

	Share premium RMB'000	Accumulated profit/(losses) RMB'000	Total RMB'000
Balance at 1 January 2013	631,266	3,659	634,925
Loss for the year	—	(185,695)	(185,695)
Balance at 31 December 2013	631,266	(182,036)	449,230
Representing:			
Proposed final dividend			—
Others			449,230
			449,230
	Share premium RMB'000	Accumulated profit/(losses) RMB'000	Total RMB'000
Balance at 1 January 2012	801,445	(416,960)	384,485
Profit for the year	—	420,619	420,619
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	77,642	—	77,642
Dividends relating to 2011	(247,821)	—	(247,821)
Balance at 31 December 2012	631,266	3,659	634,925
Representing:			
Proposed final dividend			—
Others			634,925
			634,925

## Notes to the Consolidated Financial Statements

### 22 RESERVES (continued)

Notes:

- (a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the reorganisation prior to the listing. Details of the reorganisation are set out in the prospectus of the Company dated 4 November 2009.
- (b) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when owner-occupied properties became investment properties which are being carried at fair value. In year 2013, the Group disposed certain units of these investment properties. Consequently the revaluation surplus net of tax, arose when the disposed investment properties were transferred from owner-occupied properties and recognised as other comprehensive income in prior years, was released to retained earnings directly,
- (c) Pursuant to the Deed of Settlement dated on 29 September 2008, the Controlling Shareholders agreed to waive the amounts due by the Group totalling approximately HK\$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group.
- (d) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.
- (e) The distributable reserve of the Company as at 31 December 2013 amounted to RMB449,230,000 (2012: RMB634,925,000).

### 23 DEFERRED GOVERNMENT GRANTS — GROUP

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Opening balance	<b>1,666,423</b>	1,069,013
Additions	<b>33,832</b>	622,919
Amortisation, credited to the consolidated income statement	<b>(61,213)</b>	(25,509)
Transfer to investment properties	<b>(123,563)</b>	—
Ending balance	<b>1,515,479</b>	1,666,423
Representing:		
Original amount	<b>1,758,641</b>	1,724,809
Accumulated amortisation	<b>(99,045)</b>	(37,832)
Transfer to investment properties	<b>(144,117)</b>	(20,554)
Net book amount	<b>1,515,479</b>	1,666,423

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

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
For the development of property projects	<b>1,758,641</b>	1,724,809

## 24 BORROWINGS

### Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	<b>4,523,475</b>	4,279,559
Convertible bonds (notes (b) and (c))	<b>1,343,682</b>	2,334,982
Senior notes (note (d))	<b>626,053</b>	—
Other borrowings — secured (note (a))	<b>180,000</b>	200,000
	<b>6,673,210</b>	6,814,541
Less: Amounts due within one year	<b>(4,641,539)</b>	(5,273,981)
	<b>2,031,671</b>	1,540,560
Borrowings included in current liabilities		
Bank overdrafts (Notes 18)	—	15,533
Bank borrowings — secured (note (a))	<b>1,368,085</b>	357,761
Other borrowings — guaranteed and secured (note (a))	<b>600,106</b>	—
Current portion of long-term borrowings (note (a))	<b>4,641,539</b>	5,273,981
	<b>6,609,730</b>	5,647,275



**24 BORROWINGS (continued)****Company**

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	—	34,542
Convertible bonds (notes (b) and (c))	<b>1,343,682</b>	2,334,982
Senior notes (note (d))	<b>626,053</b>	—
	<b>1,969,735</b>	2,369,524
Less: Amounts due within one year	<b>(1,370,683)</b>	(2,369,524)
	<b>599,052</b>	—
Borrowings included in current liabilities		
Bank borrowings — secured (note (a))	<b>1,031,086</b>	263,263
Other borrowings — guaranteed (note (a))	<b>340,106</b>	—
Current portion of long-term borrowings (note (a))	<b>1,370,683</b>	2,369,524
	<b>2,741,875</b>	2,632,787

**(a) Details on borrowings**

As at 31 December 2013, the Group's certain borrowings of RMB3,986,323,000 (2012: RMB3,561,503,000) were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2013, the Group's certain borrowings of RMB1,077,151,000 (2012: RMB934,273,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2013, the Group's certain borrowings of RMB1,268,086,000 (2012: RMB341,544,000) were secured by its restricted cash (Note 18).

As at 31 December 2013, the Group's certain borrowings of RMB340,106,000 (2012: Nil) were guaranteed by the Controlling Shareholders, Galaxy Earnest Limited which is controlled by the Controlling Shareholders and Growing Group Limited which is wholly-owned by Mr. Wong Wun Ming, one of the Controlling Shareholders.

## 24 BORROWINGS (continued)

### (a) Details on borrowings (continued)

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

	<b>6 months or less</b>	<b>6–12 months</b>	<b>1–5 years</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2013	<b>779,576</b>	<b>568,043</b>	<b>684,052</b>	<b>2,031,671</b>
As at 31 December 2012	688,254	752,306	100,000	1,540,560
Borrowings included in current liabilities:				
As at 31 December 2013	<b>4,243,607</b>	<b>2,366,123</b>	—	<b>6,609,730</b>
As at 31 December 2012	3,255,065	2,392,210	—	5,647,275

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

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	RMB'000	RMB'000
Borrowings:		
Between 1 and 2 years	<b>325,343</b>	334,120
Between 2 and 5 years	<b>1,634,288</b>	1,007,630
Over 5 years	<b>72,040</b>	198,810
	<b>2,031,671</b>	1,540,560
Wholly repayable within 5 years		
	<b>1,518,401</b>	845,749
Wholly repayable after 5 years		
	<b>513,270</b>	694,811
	<b>2,031,671</b>	1,540,560

## 24 BORROWINGS (continued)

### (a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2013 and 2012 were as follows:

	As at 31 December 2013	2012
Bank overdrafts — HK\$	—	5.40%
Bank borrowings — RMB	7.10%	7.90%
Bank borrowings — HK\$	2.19%	3.26%
Convertible bonds — HK\$	13.91%	14.66%
Senior notes — US\$	13.25%	—
Other borrowings — RMB	12.89%	11.55%
Other borrowings — US\$	8.00%	—

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

	Carrying amounts RMB'000	Fair values RMB'000
As at 31 December 2013		
Bank borrowings (note (i))	1,352,619	1,344,858
Convertible bonds (note (ii))	7,947	9,034
Senior notes (note (iii))	591,105	680,513
Other borrowings (note (i))	80,000	81,174
	2,031,671	2,115,579
As at 31 December 2012		
Bank borrowings (note (i))	1,350,560	1,327,353
Other borrowings (note (i))	190,000	197,487
	1,540,560	1,524,840

Notes:

- (i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 7.05% as at 31 December 2013 (2012: 7.28%).
- (ii) The fair values of the liability component of the convertible bonds are calculated using the market interest rate as at 31 December 2013 and are within level 3 of the fair value hierarchy.
- (iii) The fair values of senior notes are based on quoted prices in active market and are within level 1 of the fair value hierarchy.

The fair values of current borrowings equal their carrying amounts.

## 24 BORROWINGS (continued)

### (a) Details on borrowings (continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

#### Group

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Denominated in RMB	5,299,752	4,538,029
Denominated in HK\$	2,375,490	2,649,806
Denominated in US\$	966,159	—
	<b>8,641,401</b>	<b>7,187,835</b>

#### Company

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Denominated in HK\$	2,374,768	2,632,787
Denominated in US\$	966,159	—
	<b>3,340,927</b>	<b>2,632,787</b>

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

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

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

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

## 24 BORROWINGS (continued)

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

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

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

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

	<b>Group and Company</b>
	RMB'000
Liability component as at 1 January 2012	1,169,406
Interest expense (Note 32)	159,818
Coupon paid	(63,074)
Exchange losses	385
Liability component as at 31 December 2012	1,266,535
Interest expense (Note 32)	168,020
Coupon paid	(61,395)
Exchange gains	(38,056)
Liability component as at 31 December 2013	1,335,104

Subsequent to 31 December 2013 and on 15 January 2014, the Company redeemed all of the 2015 Bonds upon the request of the bondholder.

## 24 BORROWINGS (continued)

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

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

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

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

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

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

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

On 8 February 2013, the Company repurchased some of the 2016 Bonds with an aggregate principal amount of HK\$70,000,000 by way of over the counter purchase with cash consideration of HK\$76,453,000 (equivalent to RMB61,915,000).

On 23 June 2013, the Company paid HK\$1,522,519,000 (equivalent to RMB1,212,763,000) to redeem some of the 2016 Bonds with principal amount of HK\$1,379,000,000 upon the request of the bondholders. After the redemption and as at 31 December 2013, an aggregate principal amount of HK\$11,000,000 of the 2016 Bonds remain outstanding.

Subsequent to 31 December 2013 and on 10 March 2014, the Company redeemed all of the remaining 2016 Bonds of HK\$11,000,000.

## 24 BORROWINGS (continued)

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

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

	<b>Group and Company</b>
	RMB'000
Liability component as at 1 January 2012	1,036,268
Interest expense (Note 32)	154,871
Conversion of convertible bonds (Note 21 and Note 22)	(60,951)
Coupon paid	(62,368)
Exchange losses	627
Liability component as at 31 December 2012	1,068,447
Interest expense (Note 32)	75,358
Repurchase of convertible bonds	(52,035)
Redemption of convertible bonds	(1,036,079)
Coupon paid	(29,295)
Exchange gains	(17,818)
Liability component as at 31 December 2013	8,578

### (d) Senior notes issued on 1 February 2013 ("2018 Notes")

The Company issued US\$100,000,000 senior notes on 1 February 2013 ("February closing date"). The 2018 Notes bear interest at 13.25% per annum, which is payable semi-annually. The 2018 Notes mature in five years from the February closing date.

At any time and from time to time on or after 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 1 February of each of the years indicated below:

<b>Period</b>	<b>Redemption price</b>
2016	106.6250%
2017 and thereafter	103.3125%

## 24 BORROWINGS (continued)

### (d) Senior notes issued on 1 February 2013 ("2018 Notes") (continued)

At any time and from time to time prior to 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to 1 February 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2018 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.25% of the principal amount of the 2018 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2018 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The 2018 Notes contain a liability component and the above early redemption options:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.
- (ii) 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 options is insignificant on issue date of the bonds and as at 31 December 2013, and is therefore not recognised.

The 2018 Notes recognised in the consolidated balance sheet is calculated as follows:

	Year ended 31 December 2013 RMB'000
Opening balance	—
Additions	607,168
Interest expenses (Note 32)	77,251
Coupon paid	(41,004)
Exchange gains	(17,362)
Ending balance	626,053



## 25 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
2015 Bonds — Embedded derivatives (note (a))	43,299	114,139
2016 Bonds — Embedded derivatives (note (a))	800	190,079
Warrants (note (b))	2,131	6,065
	46,230	310,283

## Notes:

- (a) The embedded derivatives in connection with the 2015 Bonds and the 2016 Bonds mainly include bondholders' redemption option and conversion option. The embedded derivatives of the 2015 Bonds issued on 10 December 2010 are valued at HK\$140,764,000 (equivalent to RMB114,139,000) at 31 December 2012 and HK\$55,072,000 (equivalent to RMB43,299,000) at 31 December 2013 respectively by DTZ Debenham Tie Leung Limited ("DTZ"). The embedded derivatives of the 2016 Bonds issued on 23 May 2011 are valued at HK\$234,420,000 (equivalent to RMB190,079,000) at 31 December 2012 and HK\$1,017,000 (equivalent to RMB800,000) at 31 December 2013 by DTZ. The fair value change is made through profit and loss.

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

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

During the year ended 31 December 2013, some of the 2016 Bonds with principal amount of HK\$70,000,000 and HK\$1,379,000,000 were repurchased and redeemed by the Company respectively and corresponding embedded derivatives with total carrying amount of HK\$219,563,000 (equivalent to RMB175,122,000) were disposed along with the liability component, resulted in a net loss of RMB11,442,000 to the Group (Note 31).

- (b) The warrants are issued together with the 2015 Bonds (Note 24(b)) on 10 December 2010, which are valued at HK\$7,480,000 (equivalent to RMB6,065,000) at 31 December 2012 and HK\$2,710,000 (equivalent to RMB2,131,000) at 31 December 2013 respectively by DTZ. The fair value change is made through profit and loss.

The fair values of the derivative financial instruments were determined using the Binomial Option Pricing model. The significant inputs into the models were volatility of 34.53% for 2015 Bonds (2012: 32.36%) and 38.74% for 2016 Bonds (2012: 32.36%) respectively, dividend yield of 2.00% (2012: 2.14%) for 2015 Bonds and 2016 Bonds and the risk free interest rate of 0.32% for 2015 Bonds (2012: 0.12%) and 0.46% for 2016 Bonds (2012: 0.18%) respectively.

## 26 DEFERRED INCOME TAX — GROUP

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	<b>376,328</b>	262,901
— to be recovered within 12 months	<b>37,716</b>	164,407
	<b>414,044</b>	427,308
Deferred income tax liabilities		
— to be settled after more than 12 months	<b>(1,672,670)</b>	(1,549,332)
— to be settled within 12 months	<b>(276,666)</b>	(204,479)
	<b>(1,949,336)</b>	(1,753,811)
	<b>(1,535,292)</b>	(1,326,503)

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening balance	<b>1,326,503</b>	923,637
Charged to the consolidated income statement (Note 34)	<b>208,789</b>	402,866
Ending balance	<b>1,535,292</b>	1,326,503

**26 DEFERRED INCOME TAX — GROUP (continued)**

Movement in deferred income tax assets and liabilities for the year ended 31 December 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

**Deferred income tax assets**

	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of land appreciation tax RMB'000	Temporary differences on recognition of tax losses RMB'000	Total RMB'000
As at 1 January 2013	<b>104,306</b>	<b>257,216</b>	<b>77,651</b>	<b>439,173</b>
Credited/(Charged) to the consolidated income statement	<b>(30,578)</b>	<b>67,148</b>	<b>40,333</b>	<b>76,903</b>
As at 31 December 2013	<b>73,728</b>	<b>324,364</b>	<b>117,984</b>	<b>516,076</b>
As at 1 January 2012	94,858	209,924	118,523	423,305
Credited/(Charged) to the consolidated income statement	9,448	47,292	(40,872)	15,868
As at 31 December 2012	104,306	257,216	77,651	439,173

## 26 DEFERRED INCOME TAX — GROUP (continued)

### Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2013	(1,141,302)	(100,270)	(226,009)	(298,095)	(1,765,676)
Charged to the consolidated income statement	(65,845)	—	(165,517)	(54,330)	(285,692)
As at 31 December 2013	(1,207,147)	(100,270)	(391,526)	(352,425)	(2,051,368)
As at 1 January 2012	(994,480)	(100,270)	(10,136)	(242,056)	(1,346,942)
Charged to the consolidated income statement	(146,822)	—	(215,873)	(56,039)	(418,734)
As at 31 December 2012	(1,141,302)	(100,270)	(226,009)	(298,095)	(1,765,676)

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

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB75,916,000 (2012: RMB60,235,000) as at 31 December 2013 in respect of accumulated losses amounting to RMB303,664,000 (2012: RMB240,940,000) as at 31 December 2013. Accumulated losses amounting to RMB8,092,000, RMB54,384,000, RMB83,880,000, RMB77,704,000 and RMB62,724,000, as at 31 December 2013 will expire in 2014, 2015, 2016, 2017 and 2018 respectively.

## 27 TRADE AND OTHER PAYABLES

### Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade payables (note (a))	4,071,332	4,907,965
Other payables (note (b))	2,384,808	1,777,411
Other taxes payable	214,002	154,574
	<b>6,670,142</b>	<b>6,839,950</b>

Notes:

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	3,920,959	4,518,738
Over 90 days and within 1 year	150,373	389,227
	<b>4,071,332</b>	<b>4,907,965</b>

- (b) Other payables comprise:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Deposits and advances from constructors	135	816
Deposits received from tenants	64,292	30,256
Advances from third parties (note)	1,928,710	1,382,212
Consideration payable on acquisition of a joint venture	50,000	50,000
Consideration payable on acquisition of subsidiaries	96,138	88,818
Payable to a joint operation partner Baolong	22,766	118,686
Miscellaneous	222,767	106,623
	<b>2,384,808</b>	<b>1,777,411</b>

Note:

The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms except for advances of RMB68,000,000 (2012: RMB92,000,000) made from Nanjing Guoding Investment Property Company and HK\$835,000,000 (equivalent to RMB656,502,000) (2012: HK\$464,000,000, equivalent to RMB376,234,000) made from Mr. Zeng Huansha which bear interest at 12% and 15.5% per annum respectively and are due for repayment upon receiving demand from the lender.

**27 TRADE AND OTHER PAYABLES (continued)****Company**

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Other payables	<b>614</b>	—

**28 AMOUNTS DUE TO RELATED PARTIES**

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
<b>Group</b>		
Controlling Shareholders		
Mr. Wong Wun Ming	<b>146,771</b>	1,480
Controlled by the Controlling Shareholders		
Galaxy Earnest Limited	—	113,519
Joint venture (Note 13(a))		
Quanzhou Huachang (泉州明發華昌商業城開發建設有限公司)	<b>200,838</b>	15,550
Associated company		
Mingfa Tongxin (南京軟體穀明發通信科技發展有限公司)	<b>600</b>	—
	<b>348,209</b>	130,549
Amounts due to related parties:		
Denominated in RMB	<b>201,438</b>	15,550
Denominated in HK\$	<b>146,771</b>	114,999
	<b>348,209</b>	130,549

**28 AMOUNTS DUE TO RELATED PARTIES (continued)**

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
<b>Company</b>		
Controlling Shareholders		
Mr. Wong Wun Ming	39,312	—
Controlled by the Controlling Shareholders		
Galaxy Earnest Limited	—	113,519
	39,312	113,519

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

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

**29 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP**

	Year ended at 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	15,017	15,412
(Reversal of)/Additional provision	(2,822)	2,563
Utilised during the year	(8,481)	(2,958)
Ending balance	3,714	15,017
Representing:		
Provided amounts	67,935	70,757
Utilised amounts	(64,221)	(55,740)
Net book amount	3,714	15,017

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

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Provision for delay in delivering properties	3,714	15,017

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated income statement, and subject to periodic review on the estimation. It is expected that RMB3,714,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 31 December 2013.

## 30 OTHER GAINS

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Government grants (note (a))	437	2,381
Net exchange gain	105,715	926
Gain from disposal of a joint venture (note (b))	—	1,026,694
Compensation income (note (c))	269,340	—
Miscellaneous	3,182	1,470
	<b>378,674</b>	<b>1,031,471</b>

Notes:

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

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

- (b) The Group disposed its entire 50% equity interest in a joint venture in 2012 and recognised a gain of RMB1,026,694,000 from the disposal.
- (c) In 2013, the Group received total compensation of RMB269,340,000 from the buyers representing overdue interest for late payment of purchase consideration as agreed in the sales and purchase contracts in connection with the Group's disposal in 2012 of its 49% equity interest in a subsidiary and its entire 50% equity interest in a joint venture.



**31 EXPENSES BY NATURE**

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

	<b>Year ended 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Staff costs — including directors' emoluments (note (a))	<b>211,957</b>	148,356
Auditor's remuneration	<b>2,750</b>	2,750
Depreciation	<b>49,127</b>	36,216
Amortisation of land use rights	<b>6,424</b>	7,241
Advertising, promotion and commission costs	<b>132,780</b>	104,021
Cost of properties sold	<b>3,520,411</b>	2,226,064
Business tax and other levies on sales of properties (note (b))	<b>328,191</b>	196,841
Direct outgoings arising from investment properties that generate rental income	<b>60,064</b>	31,818
Operating lease expenses on land and buildings	<b>36,041</b>	24,921
Hotel operating expenses	<b>86,105</b>	56,429
Charitable donations	<b>6,606</b>	3,195
Office expenses	<b>99,394</b>	83,736
Professional fees	<b>10,041</b>	15,603
Additional/(Reversal of) provision for impairment of receivables	<b>2,103</b>	(1,741)
Impairment of goodwill (Note 10)	<b>7</b>	36
(Reversal of)/Additional provision for delay in delivering properties (Note 29)	<b>(2,822)</b>	2,563
Net loss from repurchase and redemption of 2016 Bonds	<b>11,442</b>	—
Miscellaneous	<b>48,911</b>	57,872
<b>Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses</b>	<b>4,609,532</b>	2,995,921

### 31 EXPENSES BY NATURE (continued)

Notes:

(a) Staff costs (including directors' emoluments)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Wages and salaries	174,090	120,628
Pension costs — defined contribution plans	22,615	11,906
Other allowances and benefits	15,252	15,822
	211,957	148,356

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

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

### 32 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits	15,921	21,726
Interest on bank borrowings and overdrafts		
— wholly repayable within five years	(373,925)	(297,344)
— wholly repayable over five years	(40,098)	(48,351)
Interest on other borrowings and advances from third parties	(113,886)	(58,272)
Interest expense on convertible bonds and senior notes (Notes 24(b), 24(c) and 24(d))	(320,629)	(314,689)
Less: Interest capitalised	565,507	512,018
Finance costs	(283,031)	(206,638)
Net finance costs	(267,110)	(184,912)

### 33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' emoluments

The remuneration of each executive director of the Company for the year ended 31 December 2013 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Bonuses RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
<i>Executive directors</i>						
Mr. Wong Wun Ming	—	120	12	—	—	132
Mr. Huang Qingzhu	—	120	12	—	—	132
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
<i>Non-executive director</i>						
Mr. Chi Miao (resigned effective 18 November 2013)	—	—	—	—	—	—
<i>Independent non-executive directors</i>						
Mr. Wong Po Yan (resigned effective 19 March 2013)	41	—	—	—	—	41
Mr. Lau Kin Hon (appointed effective 19 March 2013)	147	—	—	—	—	147
Mr. Dai Yiyi	181	—	—	—	—	181
Mr. Qu Wenzhou	181	—	—	—	—	181
	550	282	24	—	—	856

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

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

No emolument was paid to non-executive director for the years ended 31 December 2013 and 2012.

**33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)****(b) Five highest paid individuals**

During the years ended 31 December 2013 and 2012, none of the five highest paid individuals are directors of the Company, whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments of the five highest paid individuals for the years ended 31 December 2013 and 2012 are set out below:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Basic salaries and allowance	4,607	4,346
Bonuses	—	—
Retirement scheme contributions	63	491
	4,670	4,837

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2013 and 2012 presented fall within the range of following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK\$500,001–HK\$1,000,000	3	4
HK\$1,000,001–HK\$1,500,000	1	—
HK\$2,000,001–HK\$2,500,000	1	1

**34 INCOME TAX EXPENSE**

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Current income tax		
— PRC enterprise income tax	290,230	192,147
— PRC land appreciation tax	427,609	191,468
	<b>717,839</b>	383,615
Deferred income tax		
— PRC enterprise income tax	154,459	346,827
— PRC withholding income tax	54,330	56,039
	<b>208,789</b>	402,866
	<b>926,628</b>	786,481

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit before income tax	2,302,942	2,545,769
Less: PRC land appreciation tax	(427,609)	(191,468)
	<b>1,875,333</b>	2,354,301
Calculated at PRC enterprise income tax rate of 25%	468,833	588,575
Effect of expenses not deductible for income tax purposes (note (a))	9,864	68,594
Income not subject to tax (note (b))	(49,689)	(137,621)
Tax losses not recognised as deferred tax assets	15,681	19,426
PRC enterprise income tax	444,689	538,974
PRC land appreciation tax	427,609	191,468
PRC withholding income tax	54,330	56,039
Total tax charge	<b>926,628</b>	786,481

Notes:

- (a) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses, interest expense on convertible bonds and senior notes.
- (b) Income not subject to tax mainly comprises fair value gains on derivative financial instruments and unrealised exchange gain.

### 34 INCOME TAX EXPENSE (continued)

#### Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2013 (2012: Nil).

#### PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2012: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

#### PRC land appreciation tax

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

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

#### PRC withholding income tax

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

### 35 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2013 (2012: Nil).

## 36 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share for the years ended 31 December 2013 and 2012 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	1,399,229	1,764,745
Weighted average number of ordinary shares in issue (thousands)	6,093,451	6,089,423
Basic earnings per share (RMB cents)	23.0	29.0

### (b) Diluted

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

## 36 EARNINGS PER SHARE (continued)

### (b) Diluted (continued)

For the years ended 31 December 2013 and 2012, as the average market share price of the ordinary shares during the year was lower than the subscription price, the impact of exercise of warrants on earnings per share is anti-dilutive.

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit attributable to equity holders of the Company	<b>1,399,229</b>	1,764,745
Interest expense on convertible bonds (net of tax)	<b>31,450</b>	41,811
Exchange (gains)/losses on convertible bonds		
— liability component	<b>(55,874)</b>	1,012
Changes in fair value of convertible bonds		
— embedded derivatives	<b>(84,997)</b>	(337,950)
Net loss from repurchase and redemption of 2016 Bonds	<b>11,442</b>	—
<b>Profit used to determine diluted earnings per share</b>	<b>1,301,250</b>	1,469,618
Weighted average number of ordinary shares in issue (thousands)	<b>6,093,451</b>	6,089,423
Adjustment for conversion of convertible bonds (thousands)	<b>795,281</b>	1,098,443
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	<b>6,888,732</b>	7,187,866
<b>Diluted earnings per share (RMB cents)</b>	<b>18.9</b>	20.4



**37 NET CASH GENERATED FROM OPERATIONS**

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit before income tax for the year	<b>2,302,942</b>	2,545,769
Adjustments for:		
Interest income	<b>(15,921)</b>	(21,726)
Interest expense	<b>283,031</b>	206,638
Depreciation	<b>49,127</b>	36,216
Share of results of:		
— Associated companies	<b>6,946</b>	8,269
— Joint ventures	<b>3,564</b>	3,257
Amortisation of land use rights	<b>6,424</b>	7,241
Amortisation of other non-current assets	<b>2,280</b>	2,280
Fair value gains on investment properties	<b>(453,396)</b>	(624,629)
Fair value gains on derivative financial instruments	<b>(88,931)</b>	(340,932)
Additional/(Reversal of) provision for impairment of receivables	<b>2,103</b>	(1,741)
Losses from disposal of property, plant and equipment	<b>61</b>	8
Impairment of goodwill	<b>7</b>	36
Net exchange loss/(gain) on cash	<b>5,159</b>	(273)
Net loss from repurchase and redemption of 2016 Bonds	<b>11,442</b>	—
Gain from disposal of a joint venture	<b>—</b>	(1,026,694)
	<b>2,114,838</b>	793,719
Changes in working capital:		
Properties under development and completed properties held for sale	<b>345,487</b>	(1,606,181)
Land use rights	<b>(939,960)</b>	(12,069)
Restricted cash relating to operating activities	<b>40,404</b>	(73,370)
Trade and other receivables and prepayments	<b>(152,947)</b>	(278,341)
Trade and other payables	<b>(915,232)</b>	1,005,071
Advanced proceeds received from customers	<b>84,279</b>	619,557
Net cash generated from operations	<b>576,869</b>	448,386

### 38 PENSIONS — DEFINED CONTRIBUTION PLANS

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

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

Retirement scheme contributions for the employees incurred for the years ended 31 December 2013 and 2012, which have been charged to the consolidated income statement of the Group, are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Gross scheme contributions	22,615	11,906

### 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the subsidiaries, associated companies and joint ventures of the Group as at 31 December 2013 and 2012 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — established in the PRC</b>							
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK\$1,000,000,000	HK\$1,000,000,000	100%	100%	Property development & Investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB80,000,000	RMB80,000,000	100%	100%	Property development
Nanjing Software Valley Mingfa Information Technology Development Company Limited 南京軟件谷明發信息科技發展有限公司 ("Software Valley Mingfa") (note (b))	21 June 2005	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	51%	51%	Development of logistic centre
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Foreign investment enterprise	US\$108,980,000	US\$108,980,000	100%	100%	Development of business centre
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司	13 February 2007	Sino-foreign joint venture	HK\$230,000,000	HK\$230,000,000	100%	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	70%	70%	Property development
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US\$110,000,000	US\$110,000,000	100%	100%	Property development
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	1 November 2005	Sino-foreign joint venture	US\$29,990,000	US\$29,990,000	100%	100%	Property development
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	100%	100%	Property development

## 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — established in the PRC (continued)</b>							
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司	15 September 2004	Sino-foreign joint venture	US\$14,804,000	US\$14,804,000	100%	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property investment
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	16 September 2004	Foreign investment enterprise	US\$2,880,000	US\$2,880,000	100%	100%	Hotel operation
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB16,680,000	RMB16,680,000	100%	100%	Property development
Xiamen Ming Sheng Investment Management Co., Ltd. 廈門明勝投資管理有限公司	18 April 2006	Foreign investment enterprise	HK\$68,000,000	HK\$68,000,000	100%	100%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	Furniture manufacturing
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	27 October 2005	Foreign investment enterprise	US\$2,000,000	US\$2,000,000	100%	100%	Furniture manufacturing
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	12 June 2008	Domestic enterprise	RMB6,000,000	RMB6,000,000	100%	100%	Property development
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發有限公司	28 November 2006	Domestic enterprise	RMB8,000,000	RMB8,000,000	100%	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
Nanjing Mingfa Chemical Warehousing Co., Ltd. 南京明發化工倉儲有限公司 (note (a))	7 September 2005	Foreign investment enterprise	US\$7,250,000	US\$1,100,000	50%	50%	Development of logistic centre
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US\$23,500,000	US\$23,500,000	100%	100%	Hotel operation

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### 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — established in the PRC (continued)</b>							
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)傢俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Property investment
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀾鎮鎮區建設有限公司	18 October 1998	Domestic enterprise	RMB30,080,000	RMB30,080,000	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Development of business centre
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB12,000,000	RMB12,000,000	100%	100%	Development of business centre
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	100%	100%	Development of business centre
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK\$8,000,000	HK\$8,000,000	100%	100%	Property development
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK\$10,000,000	HK\$10,000,000	100%	100%	Property development
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	19 May 2006	Foreign investment enterprise	US\$10,000,000	US\$1,504,875	100%	100%	Industrial manufacturing
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	12 December 2006	Foreign investment enterprise	RMB180,000,000	RMB180,000,000	100%	100%	Property development

## 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — established in the PRC (continued)</b>							
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司	22 October 2009	Domestic enterprise	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Property development
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司	16 March 2005	Foreign investment enterprise	US\$90,000,000	US\$90,000,000	100%	100%	Property development
Mingfa Group Tianjin Real Estate Co., Ltd. 明發集團天津房地產開發有限公司	10 February 2010	Domestic enterprise	RMB100,000,000	RMB100,000,000	70%	70%	Property development
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司	24 March 2010	Domestic enterprise	US\$30,000,000	US\$30,000,000	100%	100%	Property development
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US\$5,000,000	US\$5,000,000	100%	100%	Property development
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業經營管理有限公司	2 June 2010	Foreign investment enterprise	HK\$5,000,000	HK\$1,000,000	100%	100%	Property development
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝(揚州)商業管理有限公司	26 April 2010	Foreign investment enterprise	HK\$5,800,000	HK\$5,800,000	100%	100%	Property development
Ming Sheng (Wuxi) Property Management Co., Ltd. 明勝(無錫)經營管理有限公司	15 July 2010	Foreign investment enterprise	HK\$5,000,000	HK\$5,000,000	100%	100%	Property development
Mingfa Group Chengdu Real Estate Co., Ltd. 明發集團成都房地產開發有限公司	2 July 2010	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Ming Sheng (Zhangzhou) Property Management Co., Ltd. 明勝(漳州)物業經營管理有限公司	21 May 2010	Foreign investment enterprise	RMB5,000,000	RMB5,000,000	100%	100%	Property development

## 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — established in the PRC (continued)</b>							
Ming Sheng (Nanjing) Business Management Co., Ltd. 明勝(南京)商業管理有限公司	15 November 2010	Foreign investment enterprise	US\$2,000,000	US\$2,000,000	100%	100%	Property development
Huizhou Fuzhiye Industrial and Trading Development Co. Ltd. 惠州富之頁工貿實業發展有限公司	31 October 2011	Foreign investment enterprise	US\$11,200,000	US\$11,200,000	80%	80%	Property development
Huizhou Fuzhiye Industrial and Trading Co. Ltd. 惠州富之頁工貿實業發展有限公司	31 October 2011	Foreign investment enterprise	US\$23,500,000	US\$16,346,373	80%	80%	Property development
Mingfa Group (Changsha) Real Estate Co., Ltd. 明發集團(長沙)房地產開發有限公司	3 May 2011	Foreign investment enterprise	US\$15,500,000	US\$2,325,000	100%	100%	Property development
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司	18 July 2011	Foreign investment enterprise	US\$29,800,000	US\$20,000,000	100%	100%	Hotel operation
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團(泰州)房地產開發有限公司	11 August 2011	Foreign investment enterprise	US\$49,500,000	US\$49,500,000	100%	100%	Property development
Mingfa Group (Tianjin Binhai New Area) Real Estate Development Co., Ltd. 明發集團(天津濱海新區)房地產開發有限公司	8 September 2011	Foreign investment enterprise	US\$30,000,000	US\$5,000,000	100%	100%	Property development
Xiamen Mingfa Daisi Hotel Co., Ltd. 廈門明發戴斯酒店有限公司	4 November 2011	Foreign investment enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Huaian Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司	16 November 2011	Foreign investment enterprise	US\$28,000,000	US\$28,000,000	100%	100%	Hotel operation
Mingfa (Longhai) Real Estate Company Limited 明發(龍海)房地產開發有限公司	24 February 2012	Foreign investment enterprise	HK\$50,000,000	HK\$50,000,000	100%	100%	Property development
Mingfa Group (Shenzhen) Real Estate Company Limited 明發集團(深圳)房地產開發有限公司	21 May 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development

### 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — established in the PRC (continued)</b>							
Xiamen Mingfa Harbour Resort Hotel Management Company Limited 廈門明發海灣度假村酒店管理有限公司	29 February 2012	Foreign investment enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Hotel management
Lanzhou Zhongke Ecological Agriculture Integrated Development Company Limited 蘭州中科生態農業綜合開發有限公司 (note (c))	15 March 2011	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	51%	51%	Property development
Nanjing Mingfa Tongda Electronics and Information Technology Company Limited 南京明發通達電子信息技術發展有限公司	12 July 2012	Sino-foreign joint venture	US\$20,000,000	US\$20,000,000	90%	90%	Development of business centre
Mingfa (China) Investments Company Limited 明發(中國)投資有限公司	23 October 2012	Foreign investment enterprise	US\$60,000,000	US\$36,001,682	100%	100%	Investment holding
Nanjing Mingfa New Town Real Estate Company Limited 南京明發新城置業有限公司	24 December 2012	Domestic enterprise	RMB200,000,000	RMB40,000,000	64%	64%	Property development
Beijing Ming Sheng Jun Chi Property Management Company Limited 北京明勝俊馳物業管理有限公司	14 November 2012	Foreign investment enterprise	RMB5,000,000	RMB777,062	100%	100%	Property management
Nanjing Mingfa Tong Neng Computer Industry Development Company Limited 南京明發通能計算機產業發展有限公司	28 November 2012	Sino-foreign joint venture	US\$50,000,000	US\$10,000,050	75%	75%	Development of business centre
Shenyang Mingfa Creative Real Estate Company Limited 瀋陽明發創意房地產開發有限公司	5 November 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Shenyang Mingfa Jin Lang Real Estate Company Limited 瀋陽明發金廊置業有限公司	22 November 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Shenyang Mingfa Zhi Gang Real Estate Co., Ltd. 瀋陽明發智港置業有限公司	1 February 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	Property development



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### 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — established in the PRC (continued)</b>							
Mingfa Group Shanghai Real Estate Co., Ltd. 明發集團上海房地產開發有限公司	10 May 2013	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	100%	—	Property development
Mingfa Group Shanghai Investment Co., Ltd. 明發集團上海投資有限公司	2 April 2013	Sino-foreign joint venture	RMB200,000,000	RMB40,000,000	100%	—	Property development
Changsha Mingfa City Construction Development Co., Ltd. 長沙明發城市建設開發有限公司	15 March 2013	Domestic enterprise	RMB300,000,000	RMB300,000,000	100%	—	Property development
Shenyang Mingfa Real Estate Co., Ltd. 瀋陽明發房地產開發有限公司	21 March 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	Property development
Nanjing Mingfa Tong Sheng Electronics and Information Technology Co., Ltd. 南京明發通盛電子信息技術發展有限公司	19 June 2013	Sino-foreign joint venture	US\$10,000,000	US\$6,600,295	70%	—	Property development
Ping Liang Shi Ding Sheng Real Estate Co., Ltd. 平涼市鼎盛置業投資有限公司 (note (e))	08 July 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	60%	—	Property development
Yangzhou Mingfa Supplies Trading Co., Ltd. 揚州明發物資貿易有限公司	30 July 2013	Foreign investment enterprise	US\$30,000,000	—	100%	—	Property development
Ru Fa Development Company Limited (Taiwan) 如發開發股份有限公司 (台灣)	01 April 2013	Foreign investment enterprise	TWD10,000,000	TWD10,000,000	100%	—	Property development
Mingfa Group Nanjing Pukou Real Estate Co., Ltd. 明發集團南京浦口房地產開發有限公司	25 November 2013	Domestic enterprise	RMB300,000,000	RMB300,000,000	100%	—	Property development
Mingfa Group (Ma An Shan) Industrial Co., Ltd. 明發集團(馬鞍山)實業有限公司	20 November 2013	Foreign investment enterprise	US\$20,000,000	—	100%	—	Property development
Mingfa Group (Zi Bo) Real Estate Co., Ltd. 明發集團(淄博)房地產開發有限公司	22 August 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	—	Property development
Xia Men Hai Yi Education Development Co., Ltd. 廈門海誼教育發展有限公司 (note (f))	18 November 2013	Domestic enterprise	RMB1,050,000	RMB1,050,000	100%	—	Education
Xiamen International Exhibition Vocational Collage 廈門國際會展職業學院	18 November 2013	Domestic enterprise	RMB3,100,000	RMB3,100,000	100%	—	Education
Mingfa (China) Investment Development Group Co., Ltd. 明發(中國)投資發展集團有限公司	20 May 2013	Foreign investment enterprise	US\$30,000,000	—	100%	—	Investment holding

## 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — incorporated in Hong Kong</b>							
Ming Fat Holdings (Hong Kong) Co., Ltd. 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK\$200,000,000	HK\$80,000,000	100%	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK\$2,000,000	HK\$2,000,000	100%	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	25 January 2008	Partnership	—	—	100%	100%	Investment holding
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	23 August 2005	Limited liability company	HK\$300,000,000	HK\$300,000,000	70%	70%	Investment holding
H.K. Ming Shing Assets Management Group Limited 香港名勝資產管理有限公司	10 September 2009	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Dowence Development Limited 都運時發展有限公司	31 October 2011	Limited liability company	HK\$10,000	HK\$10,000	80%	80%	Investment holding
Mingfa Group Property Company Limited 明發集團房地產有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Construction Company Limited 明發集團建設有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Development Company Limited 明發集團發展有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Property Investment Company Limited 明發物業投資有限公司	3 August 2010	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Mingfa Group Financial Investments Company Limited 明發集團金融投資有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — incorporated in Hong Kong (continued)</b>							
Mingfa Group Finance Company Limited 明發集團財務有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) City Center Integrated Projects Company Limited 明發集團(中國)城市綜合體建設有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) Travel Estate Development Company Limited 明發集團(中國)旅遊地產開發有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團(中國)商業地產開發有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) New Town Construction Company Limited 明發集團(中國)新城鎮建設有限公司	3 May 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Technology Property Real Estate Development Company Limited 明發集團科技產業地產開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Truefull Construction Holdings Limited 明發竹風建設集團有限公司	23 November 2012	Limited liability company	HK\$200,000,000	—	80%	80%	Investment holding

## 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — incorporated in Hong Kong (continued)</b>							
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) World Center Development Company Limited 明發集團(中國)世界貿易中心開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
<b>Subsidiaries — incorporated in British Virgin Islands</b>							
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US\$50,000	US\$11,100	100%	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Elite Harbour Limited 港俊有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Crown Succeed Limited 成冠有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Shiny Hope Limited 明望有限公司*	18 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Jian Mao Limited 建茂有限公司*	19 November 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Sign Boom Limited 兆興有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Yue Fa Investments Limited 越發投資有限公司*	17 November 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Day Sleek Limited 日順有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
HaoFa Limited 好發有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding

\* Directly held by the Company

## Notes to the Consolidated Financial Statements

### 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Subsidiaries — incorporated in British Virgin Islands (continued)</b>							
Lead Far Group Limited 利發集團有限公司*	10 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Trade Far Holdings Limited 貿發控股有限公司*	11 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Dragon Boom Holdings Limited 龍旺控股有限公司*	22 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Hero Shine Holdings Limited 英盛控股有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Brave Fortune Group Limited 勇發集團有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Long Thrive International Limited 長盛國際有限公司*	17 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Astute Skill Limited 明巧有限公司*	26 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Great Stand Investments Limited 昌立投資有限公司*	29 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Baile Investments Limited 百樂投資有限公司*	30 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Moon Rainbow Limited 滿虹有限公司*	30 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Best Trinity Holdings Limited 合盛控股有限公司	6 November 2012	Limited liability company	US\$1,000	US\$1,000	80%	80%	Investment holding
<b>Associated companies — established in the PRC</b>							
Changchun Shimao Ke Rui Real Estate Company Limited 長春世茂科瑞置業有限公司 (note (d))	28 October 2009	Domestic enterprise	RMB300,000,000	RMB300,000,000	25%	25%	Property development
Nanjing Software Valley Mingfa Communication Technology Development Co Ltd 南京軟件谷明發通信科技發展有限公司	6 February 2013	Sino-foreign joint venture	US\$20,000,000	US\$20,000,000	49%	—	Property development

\* Directly held by the Company

### 39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held		Principal activities
					as at 31 December 2013	2012	
<b>Associated company — incorporated in British Virgin Islands</b>							
Eagle Rights Limited 鈞濠有限公司	20 June 2011	Limited liability company	US\$45,000,000	US\$45,000,000	33.33%	33.33%	Investment holding
<b>Joint ventures — established in the PRC</b>							
Quanzhou Mingfa Huachang Development and Construction Co., Ltd. 泉州明發華昌商業城開發建設有限公司	12 March 2010	Domestic enterprise	RMB110,000,000	RMB110,000,000	50%	50%	Property development
Mingsheng (Quanzhou) Property Management Co., Ltd. 明勝(泉州)物業管理有限公司	18 November 2011	Sino-foreign joint venture	RMB5,000,000	RMB5,000,000	50%	50%	Property development

*Notes:*

- (a) The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Nanjing Mingfa Chemical Warehousing Co., Ltd. by virtue of possessing dominating position in the meeting of board of directors and also has the power to determine and share the variable returns from the entity, therefore, it is regarded as a subsidiary of the Group.
- (b) 49% equity interest was disposed by the Group on 31 December 2012.
- (c) 51% equity interest was obtained by the Group on 25 July 2012.
- (d) 25% equity interest was obtained by the Group on 21 March 2012.
- (e) 60% equity interest was obtained by the Group on 08 July 2013.
- (f) 100% equity interest was obtained by the Group on 18 November 2013.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

## 40 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2013.

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	<b>4,147,595</b>	3,080,495

Note:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

## 41 COMMITMENTS

### (a) Commitments for capital and property development expenditure

	As at 31 December 2013 RMB'000	2012 RMB'000
Authorised but not contracted for	<b>285,771</b>	371,733
Contracted but not provided for		
— Properties being developed by the Group for sale	<b>581,288</b>	544,741
— Land use rights	<b>4,868,403</b>	3,715,809
	<b>5,449,691</b>	4,260,550

**41 COMMITMENTS (continued)****(b) Commitments for equity investments**

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary located in Chengdu (Note 8(b))	<b>9,544</b>	9,544

**(c) Operating lease commitments**

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Within one year	<b>45,788</b>	36,768
Between two to five years	<b>104,870</b>	67,114
After five years	<b>47,236</b>	—
	<b>197,894</b>	103,882

**(d) Operating lease rentals receivable**

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Within one year	<b>310,025</b>	212,734
Between two to five years	<b>1,145,281</b>	790,092
After five years	<b>1,919,675</b>	1,666,462
	<b>3,374,981</b>	2,669,288



## 42 RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

#### (i) Controlling Shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun, with Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the Controlling Shareholders.

#### (ii) Controlled by the Controlling Shareholders

Xiamen Property Development *	廈門市明發物業發展有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司
Galaxy Earnest Limited	銀誠有限公司

#### (iii) Common directors

Nanjing Qianqiuye *	明發集團南京千秋業水泥製品有限公司
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\* These companies were subsidiaries of the Group before they were disposed.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

### (b) Transactions with related parties

Other than those disclosed elsewhere in the financial statements, the Group had entered into the following major related party transactions:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Continuing transactions		
— Purchase of construction materials from Nanjing Qianqiuye	7,900	7,752

**42 RELATED PARTY TRANSACTIONS (continued)****(c) Key management compensation**

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	4,819	4,307
Retirement scheme contributions	78	299
	<b>4,897</b>	4,606

**43 SUBSEQUENT EVENTS**

As disclosed in Note 24(b) and Note 24(c), subsequent to 31 December 2013, the Company redeemed all of the 2015 Bonds with principal amount of HK\$1,551,580,000 upon the request of the bondholder, and redeemed all of the remaining 2016 Bonds with principal amount of HK\$11,000,000.

**44 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 24 March 2014.

# Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

## RESULTS

	2013 RMB'000	Year ended 31 December			
		2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	<b>6,269,093</b>	3,741,096	2,978,828	3,007,872	3,681,027
Profit before tax	<b>2,302,942</b>	2,545,769	2,535,757	1,713,259	1,865,612
Income tax	<b>(926,628)</b>	(786,481)	(930,102)	(548,834)	(881,346)
Profit for the year	<b>1,376,314</b>	1,759,288	1,605,655	1,164,425	984,266
Attributable to:					
Equity holders of the Company	<b>1,399,229</b>	1,764,745	1,596,967	1,167,848	987,461
Non-controlling interests	<b>(22,915)</b>	(5,457)	8,688	(3,423)	(3,195)
	<b>1,376,314</b>	1,759,288	1,605,655	1,164,425	984,266

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2013 RMB'000	As at 31 December			
		2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total assets	<b>35,371,471</b>	32,314,091	26,862,787	18,210,217	12,895,854
Total liabilities	<b>(24,128,713)</b>	(22,473,146)	(19,592,958)	(12,582,877)	(8,199,977)
Non-controlling interests in equity	<b>(988,671)</b>	(972,158)	(264,106)	(89,867)	(63,272)
	<b>10,254,087</b>	8,868,787	7,005,723	5,537,473	4,632,605