天譽置業（控股）有限公司

SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 00059)

ANNUAL REPORT 2013

AN ARTIST'S IMPRESSION OF **NANNING TIANYU GARDEN**

CONTENTS

Corporate Information

DIRECTORS

Executive Directors:

YU Pan *(Chairman and Chief Executive Officer)*
WEN Xiaobing *(Deputy Chief Executive Officer)*
WONG Lok

Non-executive Director:

ZHONG Guoxing

Independent Non-executive Directors:

CHOY Shu Kwan
CHENG Wing Keung, Raymond
CHUNG Lai Fong

COMPANY SECRETARY

CHEUNG Lin Shun

AUDIT COMMITTEE

CHOY Shu Kwan *(Chairman)*
CHENG Wing Keung, Raymond
CHUNG Lai Fong

REMUNERATION COMMITTEE

CHUNG Lai Fong *(Chairman)*
CHOY Shu Kwan
CHENG Wing Keung, Raymond
YU Pan

NOMINATION COMMITTEE

YU Pan *(Chairman)*
CHOY Shu Kwan
CHENG Wing Keung, Raymond
CHUNG Lai Fong

SHARE LISTING

Main Board of The Stock Exchange
of Hong Kong Limited, Stock Code: 00059

AUDITOR

BDO Limited
Certified Public Accountants

COMPANY'S WEBSITE

http://www.sfr59.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

32nd to 33rd Floors of HNA Tower
8 Linhe Zhong Road, Tianhe District
Guangzhou, Guangdong Province, the PRC
Telephone: (86-20) 2208 2888
Facsimile: (86-20) 2208 2777

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2502B, Tower 1, Admiralty Centre
18 Harcourt Road, Hong Kong
Telephone: (852) 2111 2259
Facsimile: (852) 2890 4459

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
The Bank of East Asia, Limited

LEGAL ADVISERS

Hong Kong Laws:

Sidley Austin

Bermuda Laws:

Conyers Dill & Pearman

PRC Laws:

廣東國鼎律師事務所
(Guangdong Guardian Law Firm)

Chairman's Statement

The Company has overcome many challenges during the year 2013 and has successfully met critical milestones satisfactorily including the delivery of completed properties to customers in the Guiyang Project and pre-sales of the properties under construction in the final phase of Guiyang Project and the initial phase of Yongzhou Project. The demand of home buyers for improved housing in the two cities remains strong and solid. In light of the positive economic outlook, both globally and locally, that has offset the setback effects brought by the austerity measures imposed by central government in containing demand in first-tier cities, we expect the Group can achieve a breakthrough in sales in the coming year especially when the project in Zhoutouzui, Guangzhou and the new project in Nanning are scheduled for pre-sale in 2014.

To crystallize the objective in expanding the Group's land reserve, we recently in late January 2014 succeeded in the tenders for two lands in Liangqing District (良慶區) in Nanning, Guangxi province. The development, now named as Nanning Tianyu Garden, will render a GFA of approximately 900,000 sq.m. in residential properties for sale. Construction is upbeat and we plan that the project can commence for pre-sale in 2014.

Up to the end of February 2014, contracted pre-sales received proceeds amounting to RMB651 million from properties that will be completed progressively in 2014 and 2015, being mainly the three residential towers and commercial properties in Guiyang Project and the property units in the first phase of the Yongzhou Project. Added on with our signature project in Zhoutouzui and the Nanning Tianyu Garden Project that are scheduled to start pre-sale in 2014, we target to achieve an unprecedented growth in the orders to buy and contracted sales in 2014 onwards. On such standing, we are looking forward to a big leap forward in sale turnover and bottom lines in the years ahead. We are confident that all these expansion plans, when dedicatedly implemented, will reflect in the Company's marked improvement in earnings and hence its share prices.

In the past 2013 and up to the date of this report, for the purpose of obtaining financing to build up the land reserves and the development of the projects, the Group has raised financing totaling RMB1,869 million in the forms of corporate debts from financial institutions and construction loans from commercial banks. Currently, the Group is still in comfortable leverage position compared with its peers. Given the projects acquired during recent years are mostly fast-moving in revenue generation, the management trusts that the returns from the projects will outweigh the finance costs to the Group that bear as at the end of 2013 a blended annualized rate of approximately 12.7%. Given the improved cashflow from operations generated from sales of properties, we are confident that the ability of seeking lower cost financing at affordable leverage level in the coming years can be further strengthened.

Counted in the land resources that the Group plans to acquire in the imminent future that will increase the gross floor area for development to an additional 2 million sq.m., together with the Group's existing projects (including Nanning Tianyu Garden), the development projects of the Group will render an estimated GFA of approximately 5 million sq.m.. This will undoubtedly ensure that our business in project development can go beyond the year 2020.

The Company has been a devoted player on dedicated properties in China and is keen to continue its mission to maintain its trustworthy image to our customers and working parties. On behalf of the board of directors, I express my thank to our management team that is well equipped and has demonstrated expertise in executing the plans with endless efforts. Besides, we also take this opportunity to express our sincere gratitude to our business partners, lenders, contractors and suppliers as well as customers for their trust on us that enable us deliver our promise as a trustworthy developer.

YU Pan
Chairman
Hong Kong, 24 March 2014

Management Discussion and Analysis

Business Review and Outlook

Business review

For the year, the Group recorded a substantial growth in turnover from sale of properties, contributed by the delivery of properties in Guiyang Project Phase II, amounting to RMB653.5 million, a 19 times increase from the previous year. Property sales constituted to 96.7% of total revenue for the year (2012: 60.2%). The Group's secondary line of business, the leasing of properties from mainly the commercial podium of Tianyu Garden Phase II in Guangzhou and AXA Centre in Wanchai, Hong Kong, contributed a revenue of RMB21.7 million, representing an increase of 1.5% from last year. The increase in leasing income was caused by the leasing of the newly acquired AXA Centre during the year. The effect was outweighed by the temporary vacancy in Tianyu Garden Phase II led by the moving out of a key tenant upon the expiry of the lease during the year.

Gross margin in property sales for the year was 17.1%, remains at a relatively low level as a result of the low pricing strategy to counter the tense price competition in the property market in Guiyang. Due to the higher proportion of revenue in property sales in the year that bears a lower margin than the leasing activities, overall gross margin for the year dropped to 19.2% (2012: 42.4%).

In operating expenses, sales and marketing expenses surged 26.1% to HK$19.1 million as the Group incurred more costs in advertising and promotions and agent commission when the first phase of Yongzhou Project and the third phase of Guiyang Project started pre-sale in the current year. Overall administrative and other operating expenses amounting to RMB66.5 million, dropped 9.4% as staff costs, being the biggest expense item, totaling RMB58.5 million of which RMB16.2 million were capitalised as development costs, have been stabilized, representing only a 3.3% growth which is resulted from the management's strategy to streamline the staff force but at the same time offer competitive compensation packages to staff with suitable profiles.

During the year, the Group enjoyed net exchange gain of RMB8.0 million as a result of the appreciations of RMB against HK dollar and US dollar in which some corporate loans are denominated, whilst net exchange loss of RMB2.3 million was incurred in previous year as RMB went in a reverse direction against the two currencies in that year.

Alongside with the Group's increased borrowings to finance the construction of projects and the obtaining of corporate debts at higher finance costs, finance costs incurred during the year rose by 4.6% to RMB82.9 million. Due to the fact that the financing is mostly used for the development of all projects, nearly most of the finance costs incurred were capitalised as development costs. Out of the total finance costs, RMB0.8 million was charged against the profit for the year and the remaining RMB82.1 million was capitalised. Finance income of RMB28.4 million grew as a result of the interest income of RMB18.4 million received during the year from the purchaser of the equity interests in Tianhe Project for default in settlement of the overdue installment of consideration receivable for the disposal.

Non-operating items include the changes in fair values of investment properties of RMB36.1 million (2012: RMB18.0 million) and gain of RMB4.2 million recognised on early redemption of an unsecured promissory note of a principal value of HK$96 million. In addition, due to the improved net realisable values and adjustments on the saleable areas of the properties held for sale in Guiyang Project, there resulted in a total gain of RMB23.6 million. The impact from these gains were offset by the net increase of RMB4.0 million in the fair values of the derivative financial liabilities embedded in the warrants issued by the Company to the lender of a secured loan of HK$298 million (RMB236.3 million) in 2012 for a guaranteed return of HK$29.8 million (RMB23.6 million) and the rights attached to the exchangeable bonds issued by the Company to a financial institution in a face value of HK$298 million (RMB236.3 million) in 2013 to empower the bondholders the rights to exchange the bonds for the equity interests in Guangzhou Zhoutouzui Development Limited ("**GZ Zhoutouzui**"), the rights to put the shares to the Company and the Company's right to buy back the shares.

Ripening the sales of properties in Guiyang Project by the project company which was owned as to 55% equity by the Group, the Company turned around to an after-tax profit of RMB64.0 million for the year attributable to the shareholders of the Company from a loss of RMB80.0 million in the year 2012.

Properties under development and land reserves

Adding to the land for the development of the Nanning Tianyu Garden which was acquired in January 2014, the Group is undergoing five real estate development projects in mainland China during the year. Up to the date of this report, the Group's projects on hand renders a land reserve for property development of a total GFA of approximately 2.1 million sq.m., all of which are now under construction.

Guiyang Project

The development, known as Tianyu City ("天譽城"), in which the Group holds a 55% stake, consists of high-end residential apartments of a total GFA of approximately 460,000 sq.m. for residential apartments and 132,000 sq.m. for commercial complex, community facilities and carparking spaces. Properties in the first and second phases of the development in GFA of approximately 253,000 sq.m. have been completed of which nearly all residential units were sold and delivered to customers. The remaining third phase of the project, consisting of five residential buildings, commercial units and carparking spaces of GFA of 245,000 sq.m., are under construction and is expected to be completed in 2014 and 2015 of which a GFA totalling of 99,801 sq.m. are now on pre-sale, contracting already 92.1% of the pre-sale area with contracted sums of approximately RMB426.4 million at the end of February 2014.

Zhoutouzui Project

The project is held by a sino-foreign cooperative joint venture enterprise which is jointly controlled by the Company and a third party, 廣州港集團有限公司 (Guangzhou Port Group Co., Limited), an original user of the land who is entitled to share 28% in GFA of the completed properties pursuant to a joint venture agreement entered into in 2001 which stipulates that the Group has to finance all construction costs of the entire development.

The site, opposite to the renounced White Swan Hotel, offers a full waterfront view of the Pearl River. The development on the site of 43,609 sq.m. consists of 7 towers of residential apartments, offices, service apartments and a commercial complex in a total GFA of approximately 320,000 sq m., and underground car parking facilities in a total GFA of approximately 102,000 sq.m.. Up to the end of February 2014, construction is in full progress and three towers are built up to second floor and the others at the basement floors. Given the satisfactory progress of the construction, the management expects that pre-sales of some towers can be started in the second half of the year in 2014.

Yongzhou Project

Under the framework agreement entered into with the City Government of Yongzhou, Hunan province in 2011, two subsidiaries of the Group are contracted to develop the Yongzhou Project, offering a total site area of 1,000 mu on which a GFA of about 1.6 million sq.m. is to be developed into residential, commercial complexes and street-front shops. As a condition to the grant of development rights, the project company is also obliged to manage the remodelling works of some scenic spots in Donshan District of Yongzhou. The entire project covers a development period of 6 years.

The first phase of the Project, named as "Tianyu-huafu" ("天譽•華府"), features a residential development of villas, apartments and retail shops with a total GFA of 212,000 sq.m. on a 106 mu site and is in full progress of construction. All properties on the site are on pre-sale and GFA of 70,814 sq.m. have been contracted up to the end of February 2014, generating a total contracted sales of approximately RMB224 million at an overall average selling price of RMB3,200 per sq.m..

Alongside with the development of Tianyu-huafu Project, as part of the Group's efforts in contributing to preserve the heritages in Yongzhou, a large historic temple in an area of over 20,000 sq.m. that was originated in Ming Dynasty was being rebuilt by the Group which is expected to be completed in the second quarter of 2014.

Tianhe Project

The equity interest in the project was sold to a third party in late 2010 at a gross consideration of RMB1.09 billion before deduction of finance and other costs that are to be borne by the Group which are yet to be ascertained. Taking into account the exchange of the overdue debt of RMB130.1 million with the ownership rights of the office premises at the 32nd and 33rd floors of HNA Tower, Tianhe District, Guangzhou in December 2013, payments for the consideration totalling RMB995.3 million have been received from the purchaser. Accordingly to the transaction agreement, construction costs are to be borne by the purchaser whilst the Group resumes the role of a project manager and is responsible for the due completion of the properties at agreed timeline and construction costs.

As the Group is obliged to bear overruns in construction costs and indemnify the timely completion of the construction of the properties, the criteria for recognition of revenue set out in the Hong Kong accounting standard has not been met but the revenue arising from the disposal be deferred and not yet recognised until when construction is close to completion and substantial part of the associated costs can be ascertained reliably.

The project, consisting of a GFA of approximately 113,000 sq.m. of two twin towers, will be developed into a hotel, serviced apartments and offices situated Tianhe District, a commercial business hub of the central city of Guangzhou. Up to the end of February 2014, the towers have been built up to 37 storeys though the progress had been adversely affected by the purchaser's delays in payments of construction costs owed to contractors. The management perceive that the responsibility of the delay is on the purchaser whilst the Group has properly carried out its obligations and hence no claim from the purchaser is foreseen. Given the current progress of the construction and the fact that financing for construction has been recently obtained by the purchaser from a commercial bank and the construction costs are expected to be duly settled, the directors expect that the construction can be completed in the third quarter of 2015 as the Group's latest work schedule when the sale transaction will be fully recorded in the accounts of the Group. With our current assessment of the costs to be borne by the Group according to the agreement in relation to the disposal, an estimated gain of RMB222.2 million will be recognised upon completion of the project.

Nanning Project
In January 2014, the Group was successful in two tenders for two pieces of land in Wuxiang New District (五象新區), a new zone in Nanning, Guangxi province. The project, recently named as "Nanning Tianyu Garden" ("南寧天譽花園"), will be developed into a residential development with a GFA of approximately 1,177,000 sq.m., consisting of GFA of approximately 888,000 sq.m. for residential and ancillary commercial and other facilities and GFA of approximately 289,000 sq.m. for compensated housing and commercial properties for resettlement of the original occupants. Construction have been commenced and the management expects that the first phase of the project will be launched for pre-sale in the second half of the year 2014.

Investment properties

The Group also holds two investment properties for regular leasing income with details as follows:

A 20,000 sq.m. commercial podium at Tianyu Garden Phase II in Tianhe District, Guangzhou with an open market value at RMB530.0 million as at 31 December 2013. At the date of this report, the property is now 63.4% occupied and tenanted with renowned corporations. The occupancy rate of the property during the year has been affected by the vacancy of floor areas when the US consulate, a key tenant of the premise, moved out upon the expiry of the lease. The property is revalued at an open market value of RMB530.0 million as at 31 December 2013.

A total of 14,500 sq.ft. office premise at the whole floor at AXA Centre in Wanchai, Hong Kong was acquired by the Group in April 2013. After the past tenant moved out upon maturity of the tenancy in December 2013, the property has been divided into five units of which two are leased in March 2014 and the remaining three units are currently vacant pending soliciting of new tenants. The property is revalued at an open market value of HK$230.0 million (approximately RMB180.8 million) as at 31 December 2013.

Outlook

The outlook of the economic growth of China and many emerging markets turned gloomy when the domestic output of China slowed down and the investment sentiment in the emerging markets went low amid the outflow of capital. However, property market on the mainland continued to outperform as evidenced by the record-high property selling prices and auction prices of lands in 2013. On the other hand, the central bank, being aggrieved by the galloping volume of off-balance sheet lending, has tightened capital to commercial banks, making lending on the mainland more difficult. To counter the uncertainty in the finance market on which the financing for acquisition of projects is relied, the Group is striving to maintain a solid financial position that enable the Group to obtain sufficient finance for the acquisition of projects so as to enlarge the land reserves of the Group and keep the business sustainable. At the date of this report, the Group has financing facilities granted from commercial banks and a trust in an aggregate of RMB1,869.3 million (of which borrowings of RMB480.6 have drawn down) and financing in a total of HK$596 million obtained from an secured loan extended to the Company in 2012 by a financial institution and an issue of secured bonds by the Company to the same group in 2013. In addition, pre-sales of the Yongzhou Project and Guiyang Project have been providing sufficient working capital to finance the ongoing construction costs of these projects, making the completion of these projects beyond doubts.

The management plans to sustain a continuing growth in sales and earnings to the Company's shareholders and is therefore aggressive to replenish land for future development in the years to come but remains prudent to look for projects with relatively low acquisition costs and attractive earning potential. The project in Nanning demonstrates another good start-off in our expansion plan in southern China.

Liquidity and Financial Resources

Capital structure and liquidity

During the year under review, the Company has issued secured bonds in a principal value of HK$298 million (RMB236.3 million) to a financial institution. The bonds, together with an existing loan with a principal amount of HK$298 million extended by the same group of entities in a financial institution, is secured by the entire issued shares of GZ Zhoutouzui, the immediate holding company of the project company holding the Zhoutouzui Project. Besides, the secured bonds are embedded with derivative financial liabilities comprising a right to the bondholders to exchange for some shares of GZ Zhoutouzui and a subsequent right to put the exchanged shares to the Company for redemption and the Company a right to call. The proceeds of the issue were used for general working capital of the Group and repayment of a money market loan of US$18.6 million and outstanding balance of a promissory note issued for the acquisition of the office premise at AXA Centre in Wanchai in the year. To finance the development of projects (other than Tianhe Project) being undergone by the Group and the acquisition of AXA Centre, additional bank loans in a total of RMB443.9 million were drawn down during the year, net of repayments of bank loans and other borrowings totaling RMB196.6 million. At the year-end, the Group is indebted to commercial banks for three term loans of an outstanding total of RMB408.5 million for the financing of the construction costs of the Group's projects, a term loan and revolving loan totaling RMB72.1 million due to a commercial bank for the financing of the acquisition of AXA Centre and general working capital of the Company, the secured loan and bonds with outstanding indebtedness totaling RMB452.8 million, advances from non-controlling shareholders of a subsidiary of RMB84.8 million and derivative financial liabilities embedded with the secured loan extended by a lender and bonds issued to a bondholder presented at fair values totaling RMB27.8 million. These indebtedness of the Group is aggregated to RMB1,046.0 million (2012: RMB635.0 million), representing an increase of RMB411.0 million when compared with the balance at the year-end of last year. The gearing ratio (calculated as total indebtedness net of cash and cash equivalents (the "**Net Debt**") divided by the equity attributable to shareholders of the Company plus Net Debt) is 28.7% at the year-end date (2012: 7.6%). The increase in the gearing ratio reflects the rise in the Group's indebtedness to cope with the expansion in the development business. Nonetheless, the management believes that the indebtedness level is still at a comfortably low level which the Group can meet with as when the relevant debts mature.

In the year, all development projects are in construction stage, building up development costs in properties under development to RMB2,262.7 million (2012: RMB1,691.3 million), whilst properties held for sale decreased to RMB173.4 million (2012: RMB666.6 million) when completed properties in Guiyang Project were delivered to buyers during the year. Current assets, totaling RMB3,248.2 million (2012: RMB3,294.0 million) as at the year-end date, show a slight decrease of RMB45.8 million from that of the last year-end date. Apart from the properties under development or held for sale, current assets comprise trade deposits paid to contractors and other deposits and receivable of RMB453.9 million, and bank balances totaling RMB358.2 million that include pre-sale proceeds of RMB57.7 million received from buyers that are restricted for payment of construction costs incurred in the related projects.

Total current liabilities at the current year-end amounted to RMB1,275.6 million (2012: RMB1,434.4 million), representing a decrease of RMB158.9 million compared with that on 31 December 2012. The decrease in current liabilities is mainly due to the decrease in pre-sale proceeds that have been recognised as revenue for the year when properties developed in Guiyang Project were delivered to buyers, and the repayment of advances made by the non-controlling shareholder of a subsidiary during the year. The current liabilities comprise pre-sale deposits of RMB571.4 million, the outstanding amount of RMB228.8 million for the secured loan in 2012 and current portion of bank borrowings of RMB72.1 million, the current portion of the derivative financial liabilities totaling RMB24.0 million, advances from non-controlling shareholders of a subsidiary of RMB84.8 million, and miscellaneous items in trade payables, accruals, and income tax payable aggregated to RMB294.5 million.

The current ratio shows further improvement which is 2.6 times at the current year-end (2012: 2.3 times).

Borrowings and pledge of assets

The land and construction in progress in Guiyang Project, Yongzhou Project and Zhoutouzui Project, the office premise at the AXA Centre are mortgaged to commercial banks to secure for financing facilities granted to the subsidiaries engaged in the development projects and investment property holding. The secured loan and exchangeable bonds in the aggregated outstanding principal value of HK$596 million were also secured by a share charge over the entire issued shares of GZ Zhoutouzui. In addition, the property units in Tianyu Garden Phase II and the office premises at HNA Tower were mortgaged to a financial institution for a trust loan facility of RMB500.0 million granted to a subsidiary. As at 31 December 2013, bank loans in an aggregate amount of RMB480.6 million are outstanding whilst the trust loan facility was not yet drawn down.

Foreign Currency Management

The Group is principally engaged in property development activities which are all conducted in the PRC and denominated in RMB, the functional currency of the Company's principal subsidiaries. At the same time, certain financing, investment holding and administrative activities of the Group are denominated in HK dollars.

During the year, RMB has been in mild appreciations against HK and US dollars. Foreign exchange gains were realised when transactions relating to the Hong Kong dollar denominated bonds and the leasing activities of the investment property in Hong Kong were transacted in Hong Kong dollars. Exchange differences arise on consolidation of assets and liabilities of some subsidiaries operated in Hong Kong which carry their books in HK dollars, resulting to an exchange gain of RMB0.3 million as at 31 December 2013 that is added to the exchange reserve, forming part of the equity of the Company. The directors perceive that RMB will, in a longer run, still generally move in upward movements against HK dollars and foresee the Group has no significant adverse foreign currency exposure in the future. In the event of a depreciation of RMB against these foreign currencies, given the comparatively low levels of indebtedness and activities in which the HK dollars are denominated, such fluctuations will not have material unfavourable effect on the financial position of the Group. For these reasons, the Group does not hedge against its foreign currency risk. However, the management will closely monitor the currency exposures from time to time for any permanent or significant changes in the exchange rates in RMB against the HK dollars that may lead to adverse impact on the Group's results and financial position.

Contingent Liabilities

The Group provides guarantees to the extent of RMB745.6 million as at 31 December 2013 (2012: RMB385.9 million) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for the 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 for repaying 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 possession of the related properties. Such guarantees will terminate upon the delivery of properties and issuance of the relevant property ownership certificates to the property purchasers.

Employees

To keep pace with the growth of the Group, the Group is recruiting suitable staff in capable caliber from time to time. As at 31 December 2013, other than the Executive Directors, the Group employed 259 full-time staff working in site offices for property development and back offices in Hong Kong and Guangzhou for supporting services and central management. Employees are remunerated according to qualifications and experience, job nature and performance. They are incentivized by bonuses benchmarked on performance targets. Remuneration packages are aligned with job markets in the business territories where the staff is located.

Brief Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YU Pan *(Chairman and Chief Executive Officer)*
Aged 49, joined the Company in December 2004 when he took control of the Company through acquisition of a controlling interest in the Company. Mr. YU has over 24 years of experience in the development of high-end residential, commercial and hotel projects in the PRC. He is a founder of the prestigious real estate company, Guangzhou Tianyu Real Estate Development Company Limited, which was set up in July 1997 from which the Company acquired some projects in 2007. Mr. YU also acts as the chief executive officer of the Company, overseeing the strategic planning and corporate development of the Group.

Mr. WEN Xiaobing *(Deputy Chief Executive Officer)*
Aged 45, has been appointed as executive director in November 2013. He is also the Deputy Chief Executive Officer of the Group and Chief Executive of Guangzhou head office in charge of overall management of the property development and investment business in the PRC. Mr. WEN holds a Bachelor Degree in History from Beijing University (北京大學) and is a professionally qualified economist specialized in labor economics in the PRC. He has over 23 years of working experience in managerial positions in corporations in the PRC.

Mr. WONG Lok
Aged 56, joined the Company in August 2005. Mr. WONG has over 28 years of working experience in senior management of corporations engaged in property and general trading in Hong Kong and the PRC.

NON-EXECUTIVE DIRECTOR

Mr. ZHONG Guoxing
Aged 47, has been appointed as non-executive director in October 2013. Mr. ZHONG was graduated from the Hunan University, majoring in Manufacturing Accounting and holds a Master's Degree in Business Administration from the Asia International Open University (Macau). He has over 28 years of experience in banking, finance and assets management. Mr. ZHONG at present is the executive director and co-president of China Orient Assets Management (International) Holdings Limited, a subsidiary of China Orient Asset Management Corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Shu Kwan
Aged 59, joined the Company in December 2004. Mr. CHOY holds a Master degree in Business Administration and has over 27 years of extensive experience in banking and investment management. He worked for the CITIC group for 20 years in Hong Kong. Before his resignation in 2007, he was the managing director of CITIC Capital Markets Limited. Mr. CHOY is also an independent non-executive director of Poly Property Group Co., Limited (Stock Code: 119).

Mr. CHENG Wing Keung, Raymond
Aged 54, joined the Company in December 2004. Mr. CHENG is a practising solicitor in Hong Kong. He holds an honour degree in laws in The University of London and a Master degree of Business Administration awarded by The University of Strathclyde, Scotland. Mr. CHENG also holds a Diploma in Chinese Professional Laws in the Chinese University of Political Science and Law, the PRC. He has over 26 years of experience in corporate, company secretarial and listing affairs. Mr. CHENG is an independent non-executive director in two other listed companies in Hong Kong, namely Emperor Capital Group Limited (Stock Code: 717) and Sino Resources Group Limited (Stock Code: 223).

Ms. CHUNG Lai Fong

Aged 46, joined the Company in December 2004. Ms. CHUNG is a practising barrister in Hong Kong. She holds a Bachelor of Laws (Honours) degree, a Bachelor of Arts (Honours) Degree in Accountancy and a Master of Laws in Chinese Law. Ms. CHUNG is also a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators (UK) and the Hong Kong Institute of Chartered Secretaries. She has over 18 years of professional experience in accounting, taxation, company secretarial, legal, regulatory and corporate affairs. Ms. CHUNG is also an independent non-executive director of Far City Mining Limited, a company listed on Canadian National Stock Exchange.

COMPANY SECRETARY

Ms. CHEUNG Lin Shun

Aged 51, joined the company in March 2005. Ms. CHEUNG is a professionally qualified accountant in Hong Kong and is in charge of the corporate finance, accounting and company secretarial matters at the corporate level of the Group. She holds a Master degree in Professional Accountancy awarded by The Hong Kong Polytechnic University. Ms. CHEUNG is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. She has over 28 years of experience in auditing, corporate secretarial, accounting and corporate finance obtained from an international accounting firm and a number of listed companies in Hong Kong.

SENIOR MANAGEMENT

Mr. LIN Shengjie

Aged 48, is the Deputy Chief Executive of Guangzhou head office in charge of all general financial operations in the PRC. Mr. LIN is a Bachelor Degree graduate in finance and accountancy of Guangdong University of Finance & Economics (廣東財經大學) (formerly known as Guangdong University of Business Studies (廣東商學院) and has over 23 years of working experience in the finance and accounting in property development, finance and hotel investment in the PRC, Thailand and Hong Kong.

Ms. YUAN Hongfang

Aged 42, is the Deputy Chief Executive of Guangzhou head office in charge of contract and legal matters of Guangzhou head office. Ms. YUAN graduated from Lingnan College, Sun Yat-sen University (中山大學嶺南學院) and holds a Master Degree in Business Management. She has over 19 years of working experience in finance, administration in the property development and management industries.

Mr. WANG Haiqun

Aged 43, is the Deputy Chief Executive of Guangzhou head office in charge of design management of Guangzhou head office. Mr. WANG graduated from Wuhan University and holds a Master degree in Business Administration. He has over 20 years of working experience in architectural design management.

Environmental and Social Responsibility Report

Introduction

With the increasingly rapid pace of social development and the higher cultural level of people, environment problems and social responsibility have gradually become the issues which people discuss and concern about. As the integral part of the society, listed enterprises bear more social responsibility and obligation than individuals. The expectation of the society on the enterprises has transformed from the creation of economic value at the beginning into the creation of economic value on the basis of environmental protection and the fulfilment of social responsibility at the same time.

For the enterprises, positive public image can be created through environmental protection and social responsibility. Furthermore, in the new capital market, the investors do not only concern about the result of the enterprises, but also their social value and environmental awareness. High level of social responsibility and environmental awareness can help the enterprises to establish good reputation, as well as improving the interest of investment and the trust of investors to the enterprises.

The purpose of this report is to explain the contribution of the Group in the production process through illustrating the Group's responsibilities towards our staff, customers and the environment.

1. Staff

Importance:

As a real estate enterprise, land, capital, product and talent are the basic elements. Of which, capital and talent are the most basic elements to enterprises, and the remaining elements can be created therewith. Meanwhile, the core value of enterprises is reflected in human resources practices. The quality of the operation team determines the ultimate value that the products create. If an enterprise aims to be a top-rated enterprise, a top-rated team is indispensable — this is the best description of the importance of human resource in real estate enterprises.

Since establishment, Skyfame Group adheres to the "talent comes first" principle which treasures the quality and development potential of the staff. It devotes to provide a comfortable working environment and a competitive career development plan for its staff. Skyfame knows the importance of talent, especially in the real estate industry with high mobility of talent and intense competition among enterprises. The allocation of staff in various departments of the Group is closely linked to the Company's development needs and market demand. The outstanding brand of Skyfame as a high-end composite property developer is established with high-quality talent formed in these respects.

Structure of human resource:

(a) Professional qualification

As a real estate enterprise listed in Hong Kong, Skyfame is equipped with high-quality talent. For a real estate enterprise, both the financial position of the enterprise and the quality in construction engineering of products are the cornerstone of its steady and sustainable development. As at 31 December 2013, high-quality staff with the qualification of intermediate and advanced engineering level, accounting certificates or other professional qualifications (intermediate level or senior title or the first and second class qualification certificates) in the Company represents 37.8% of the total number of staff in the relevant divisions, while the staff with professional qualification in engineering or economy represent 51.2% (including elementary, intermediate, advanced levels/elementary, first and second class qualification certificates). High proportion of high-quality staff facilitates the future development of the Company.

(b) Education background of the staff

In 2013, 67% of the existing staff in various divisions of Skyfame have undergraduate or higher degrees while the staff without undergraduate degree mainly work in back office (positions like drivers and documenters). There are over 90% of the management in the Company with academic credentials above undergraduate, while the numbers for intermediate level and general staff also reach approximately 80% and 60%. Moreover, the professional skills of the Company's staff cover all the fields we need. The high-quality team of Skyfame is creating a remarkable economic benefit for the Company while the staff with higher level of knowledge build a solid foundation for the future development of the Company.

(c) Age distribution of the staff

The average age of the staff is 35 with a larger proportion of middle-age and teenaged staff. The average serving duration is 2.9 years with 27.9% of the staff serving over three years. Due to the rapid development of the Company and the gradual business expansion in recent years, the Company conducted a wide range of recruitment for fresh graduates and people with well working experience to meet the development need of the Company and the Group. To cope with the demand for business growth, the workforce of the real estate development business of the Company increased from 142 in 2010 to 254 at the end of 2013, thus the overall serving duration was driven down because of the large amount of new staff. In 2013, recruitment started to slow down and new staff gradually got through the induction period, under such backdrop, it is expected that the mobility of staff caused by the internal adjustment in the Company will decrease gradually as the new staff settle down in their positions.

(d) Turnover of staff

According to the statistic on worker displacement during the period from 1 January 2013 to 25 December 2013, the number of staff leaving the Group was 92. The overall turnover in 2013 reached 36.95%, which approximately doubles the average annual rate in the industry (i.e. 20%). Based on our analysis, the reasons for the high turnover are as follow:

(1) Higher turnover rate of trainee, which was mainly attributable to the locations of the project companies, the number of staff leaving was 8, representing 8.8% of the total number of staff leaving their posts;

(2) Adjustment of the Group's organisation structure, some of the staff could not adapt to the new structure and resigned, the total number was 5, representing 5.5% of the total number of resigned staff;

(3) With Guiyang project entering into the last phase, the total number of staff resigned in this location reaches 47, representing 51.6% of the total number of staff ceased to be employed in the year;

(4) Optimization of the Group's staff force during the year; leading to 23 staff being terminated, representing 25.3% of the total number of staff leaving in the year.

To lower the turnover rate of the internal staff of the Group and improve the efficiency of the staff, the Group will make improvements on hiring, training, deployment and retaining staff in the future:

(1) Hiring: Besides testing the professional skills and working ability of the job applicants, the Group will also consider the intrinsic and non-quantifiable capacities such as working mission, responsibility, loyalty as the criteria in the process of recruitment.

(2) Training: increasing the training for new staff helps the growth of both staff and the Group, and in turn the staff's work performance.

(3) Deployment: work arrangement and promotion will be conducted according to the past working experience and current performance of the staff to maximise the efficiency of the Group's staff so that the ability of the staff and the business of the Group can be enhanced.

(4) Retaining: with the establishment of the database of talent, the Group will focus on training outstanding staff internally and offer an attractive career development plan and a competitive salary level to existing staff.

Meanwhile, the Group will pay more effort on the new and developing property markets with appreciation potential and long-term development prospects. To lower the turnover rate and the recruitment and training costs of staff, various projects will be placed in one particular region to satisfy the Group's future development, and at the same time make it easier for project staff to be allocated between the projects.

(e) Gender ratio

As the primary business of Skyfame is real estate development, under the objective needs in engineering and outdoor operations, male staff are mainly engaged in engineering work while female staff engaged in financial, personnel and other back office work. As at 31 December 2013, male staff in the Group represent 64% of the total number of the Company's staff, which basically reflects the gender characteristics in the real estate industry. The Company adheres to the "merit-oriented" principle in the deployment of staff to fully achieve the goal of operating on a merit-oriented basis. We respect the will of each employee and arrange suitable employee to the appropriate position. Furthermore, the Group will strike good balance and fairness in the recruitment on both genders.

Recruitment and training:

In pace with the business development need of the Group, recruitment is conducted extensively through various channels to fill up the vacancies in different departments. Also, the Group adopts effective assessment measures to assess the comprehensive quality, professional ability and working experience of applicants to ensure that the interviewees are suitable for the vacancies.

For training, Skyfame formulates various management plans to satisfy the demand for employee of the Company in the future. The management trainees' training programme which combines specialized and intensive training and job rotation enhances the effectiveness of training and is conducted continuously. The initial programmes on an internal training system and selection and nurturing of lecturer are being implemented. The improvement in the systems in training and formulation of a series of training courses system build a foundation for the implementation of the system .

Various career trainings for staff of different levels were conducted in 2013. The primary content of the training included: updating the knowledge of the staff and keep them abreast of the latest trend in the industry as well as improving the efficiency of staff and understanding the focus point of future work. Various internal staff trainings were conducted, including induction training for new staff and interaction with the current staff with the aim of ensuring that staff of different departments could fully understand the key tasks of the department and enhancing the cooperation between different departments. For the new staff, the Group established a better foundation for the smooth execution of work through cultivation of enterprise culture, introduction of development history of the Company, building working value and the understanding of rules and regulations of the Company.

In 2013, the Company formulated the proposal to establish a hierarchical talent database in the corporation to organize employees' information ranging from working experience, daily tasks, personal capability and on-the-job professional training as well as information about the working passion and loyalty of staff. The purpose is to provide reference for future internal transfer within the Group and assessment and promotion of staff with an aim of placing the staff in the most suitable positions.

Performance and welfare management:

Skyfame has strictly complied with the national and local regulations to offer a reasonable remuneration and welfare package commensurate with the comprehensive performance of staff which is based on the positions of staff and personal performance. In 2013, the Company launched a new performance and welfare system which classified the basic salary in detail for all staff and established performance bonus geared to performance. Meanwhile, share option scheme was implemented to incentivise some senior management.

As a listed enterprise in Hong Kong, Skyfame strictly complied with national laws and provisions on the occupational health of the staff. To prevent occupational diseases and protect the health of the labourers, an enterprise occupational health standard was established to adhere with the occupational health and safety management system (OHSMS) and the standards of ISO9000 and ISO14000. As a result, the safety production awareness of the staff was improved, the safety of production ensured and the needs of the enterprise and staff satisfied.

The Company requires that the persons in charge of each division take primary and full responsibility for the occupational health management of the Company. Safety officers of the project companies are responsible for the safety training for the relevant staff whose positions are highly risky to occupational diseases and ensure that workers should wear labour protection tools. At sites, the persons in charge of each team of workers conduct daily check on the using of labour protection tools. The persons in charge are responsible for inspection and promotion of hygiene in the operating units. Occupational diseases checks are carried out for workers highly susceptible to occupational diseases and the relevant health monitoring files are set up. All the staff in the Group are given an annual comprehensive body check to let them learn about their health condition and thus offering them timely protection.

2. Customers

Mission of Skyfame:

The name "Skyfame" implied "the operations of Skyfame are ever going forward with well known reputation". Since its establishment, the mission of the Group is to develop high quality real estate and achieve excellence. From residential to commercial, developed properties from Tianyu Garden in Tianhe District, Guangzhou, Skyfame Tower (now known as "HNA Tower") to Skyfame Westin Hotel (天譽威斯汀酒店) (now known as "The Westin Guangzhou" (廣州海航威斯汀酒店)), each development project meets the social and urban development demand. Both the quality and the scale of development receive the applause from the industry and society. Skyfame adhered to the management strategy which emphasizes the importance on integrity and service with market-oriented approach aiming at gaining the recognition from customers of different regions with reputation and premium products.

Skyfame believes that the foundation of an enterprise is its reputation. Skyfame always puts its reputation in the first place and bears in mind the social responsibility of a real estate developer. The Group constantly innovates its architectural concepts and becomes the disseminator of social culture and creator of architectural culture through adopting the residential and utilization standards applied in the international architectural industry.

Currently, we are not only equipped with corporate business operating model and a high-quality team, but also with a sound asset structure and, modern operation concept and management model. The development strategy, which positions Guangzhou as the core and extending into key provinces in southern China with an emphasis on mid-level cities, facilitates the advancement in product and service branding and achievement of strategic goals.

Project development:

Skyfame believes that urban life needs fresh elements. The city's ambience and its life could only be enriched through constant innovation while moving forward.

In 2006, Skyfame Group introduced well-known architecture consultant and property management companies like Parsons in America, Savills International and Wong Tung in Hong Kong, and successfully developed Skyfame Tower and The Westin Guangzhou. Progressing with international standard in construction and outstanding leasing service, Skyfame Tower successfully attracted Indian Consulate, Greek Consulate, The Stock Exchange of Hong Kong Limited and top 500 world enterprises such as General Motors, Nike and Meadjohnson as tenants. Skyfame Tower is currently still the benchmark of Grade A offices in the central business district of Tianhe District, Guangzhou.

In 2007, Skyfame cooperated with Starwood, a well-known hotel management chain, to take up the responsibility of hotel management, rendering The Westin Guangzhou an actual high-end five star hotel in Guangzhou. With the first-rated stared service, it becomes the five-star high-end business hotel in southern China with the highest occupancy and best reputation on hotel service. The Westin Guangzhou is currently still a representative of global five-star hotels in southern China.

After Skyfame Tower and The Westin Guangzhou, Skyfame Group continuously develops various landmark projects in different cities, including the high-end urban commercial complex in TianHe North Road, Guangzhou, high-end residential area in Tianyu City, Guiyang, and Zhoutouzui project at the intersection of three estuaries of the Pearl River at the central district of Guangzhou. Furthermore, we entered into an agreement with the municipal government of Yongzhou, Hunan in 2012 to contribute to the urban development in Yongzhou. The project is divided into several parts, namely the residential development in Tianyu-huafu, commercial district in the city area and scenic spot in Dongshan District with a total development area of approximately 1,000 mu, covering a comprehensive property development project of residential, scenic spots and commercial properties in Lingling District, Yongzhou City.

Value creation

In 2007, as a recently launched Grade A office in Tianhe District, Guangzhou, Skyfame Tower did not only promote our corporate image free of charge but also the commercial activities in Tianhe District, stimulating the rapid development of Tianhe District. The Government of Tianhe, Guangzhou City awarded various outstanding enterprise titles to Skyfame in the same year. Skyfame builds products with integrity and establishes brand awareness with excellent services. After over a decade of development, the Group received awards on the projects from local governments, of which, Tianyu City in Guiyang was awarded the title of "Top Ten Premises in Guiyang" in January 2013, Tianyu-huafu in Yongzhou was awarded the title of "City's Landmark Luxury Residential Project in China" by the China Architectural Culture Centre of the Ministry of Construction in October 2012.

Skyfame always values the creation of the value of its brand. Only when the Group creates products satisfying the customers' demand, can it establish a good brand image, and only when its good brand image is deeply rooted in the customers' mind, can it create a larger social value. Each project of Skyfame is developed pinpointed to the uniqueness of the project's local market environment and geographic condition. Also, we provide a flexible and resourceful portfolio of products according to the local market demand.

In 2012, Skyfame was invited by the City Government of Yongzhou, Hunan Province to enter into an agreement with the Government of Lingling District, Yongzhou for the assistance of new urban area development in Lingling District. Our work also involves providing general preservation on Dongshan scenic district, and restoration of some key historical structures, which contributed to the protection of historical architectural heritage in China. Currently, the restoration of Wenmiao (文廟) is coming to an end while that of Wumiao (武廟) and Dongshan scenic district will be completed successively. Yongzhou project did not only expand the market in Hunan for Skyfame, but also promoted the standardization of local real estate market and established an orderly manner for the property market that benefit the local people and gained reputation as an outstanding developer for Skyfame. Tianyu-huafu in Yongzhou was awarded "City Landmark Luxury Residential Project in China" by the Ministry of Housing and Urban-Rural Development in November 2012, which fully reflects the social value of Skyfame. The purpose of the Yongzhou project was not only profit making, but also transforming the region and improving the living standard and economic development of the local residents. The project of Tianyu City in Guiyang is situated at a hilly terrain with a comfortable living environment which perfectly integrates the whole project with the surroundings. To improve the accessibility, Skyfame negotiated with the local government to introduce public transport for the easy accessibility of the residents, which highly improved the living quality of the community and the satisfaction of the residents and at the same time established a friendly enterprise image of Skyfame. Tianyu City in Guiyang, was rated as "Model of Ecological Residential Project" by National Ministry of Housing and Urban-Rural Development in 2011, which was a great recognition of the development mission and brand value of Skyfame.

In January 2014, Skyfame purchased two pieces of land in Liangqing District, Wuxiang New Zone, Nanning to develop a high-end residential and resettlement project. The project officially marked the entry of Skyfame into the market in Nanning, which will be Skyfame's core region of expansion besides Guangzhou. The Group will adhere to the principle of building comfortable homes for customers and creating local economic value.

3. Environment

Real estate development involves different environmental factors, of which land is a major factor. The construction of real estates inevitably affects the surrounding environment directly or indirectly to a certain extent. Therefore, there is a contradiction between development and environmental protection in the process of real estate development. The key to solve the contradiction and establish a good interactive relationship between the two is to develop a design plan which best facilitates the compatibility between the developing project and the ecological system in the city. Repetitive investment can be reduced if it is made compatible with the local conditions, thus the allocation of social resource will be optimised. Moreover, the project layout has to save the urban land resources, and the energy consumption can be lowered by suitably designed structure of houses and the use of energy saving technologies, such as, choosing green facilities with low water consumption features. Besides, all the environmental details should have rooms for optimisation and compatibility to the greatest extent.

Skyfame pays attention to the importance of environment on the social development and living standard. Harmony between the humanity and nature in Skyfame's projects is readily seen from the choices of construction materials to project designs. Skyfame is customers' demand-oriented and detail-focused. From overall construction design to the structure for spacing, the design is made according to the geographical features of the land in order to reduce the destruction to the local environment, while the land feature is taken into full consideration to save energy at the same time. During construction, the relevant regulations of construction in China are strictly complied with, which reduces the chemical pollution caused by the harmful gas and asbestos. For air quality and the use of water resource, existing technology is used to control air pollution and reduce the waste of resources.

In 2013, the Group introduced the operation concept of "Green Construction" in all its projects. "Green Construction" refers to the architectural model under which resources (energy, land, water, materials) reservation, environmental protection and pollution reduction are implemented to the fullest extent during the life cycle of construction, targeting to provide a healthy, suitable and highly efficient usable space which is in harmony with the nature. The Group puts this enterprise ideology into practice in its projects in progress and implements strict controls on these projects. The overall design of all projects in progress has to take into account the natural environment and make good use of local natural resources, as well as including sustainable, ecological, back-to-nature construction, energy-saving and environmental-friendly, which are attractive in appearance and would not damage the basic ecological balance of the local environment. For the interior design of the projects in progress, the overall layout is concerned with the reduction in use of synthetic material as much as possible. We create a close-to-nature living environment for the residents with the use of sunlight to save energy. With the harmonious development among human, construction and natural environment, we create a good and healthy living environment with the use of natural condition and artificial technology while at the same time control and reduce the exploitation and destruction to natural environment, thus striking a balance between taking from and returning to the nature.

In the operation of the Company, we have developed a culture of environmental awareness in office. The Group reduces the waste of paper through using recycled paper and printed paper collected for reuse. For the natural resource of electric energy and water resource, the Company raises the awareness on resources saving through effective propaganda and adopts reasonable office layout to achieve the aim of energy saving.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhance its corporate governance standards by emphasizing transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the board of directors of the Company (the "**Board**") and various committees with designated functions.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2013 financial statements, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") except for the following deviations:

Code Provision A.2.1 — Chairman and Chief Executive

The roles of chairman and chief executive officer of the Company is not separated as required but is currently performed by the same individual, Mr. YU Pan, since 2004.

Explanation on the deviation is elaborated below under the heading of "Segregation of the Management of the Board and the Management of the Group's Business".

Code Provision E.1.2 — Chairman Attending Annual General Meeting

Mr. YU Pan, the Chairman of the Board, was unable to attend the annual general meeting held on 13 May 2013 (the "**AGM**") due to other business engagement. Mr. SIU Shawn, the former Executive Director, was elected as chairman of the AGM to ensure effective communication with the shareholders of the Company at the AGM.

BOARD OF DIRECTORS

As at 31 December 2013, the Board comprised seven Directors as follows:

Executive Directors

Mr. YU Pan *(Chairman and Chief Executive Officer)*
Mr. WEN Xiaobing *(Deputy Chief Executive Officer, appointed on 6 November 2013)*
Mr. WONG Lok

Non-executive Director

Mr. ZHONG Guoxing *(appointed on 9 October 2013)*

Independent Non-executive Directors

Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

The terms of service of all the Independent Non-executive Directors are one year and are subject to automatic renewal and retirement provision under the bye-laws of the Company.

The Board held four meetings in 2013. The record of attendance of each Director is as follows:

Name of Director	**Number of Board Meetings Attended/Held**
Executive Directors	
Mr. YU Pan *(Chairman and Chief Executive Officer)*	4/4
Mr. WEN Xiaobing *(Deputy Chief Executive Officer, appointed on 6 November 2013)*	1/1
Mr. WONG Lok	4/4
Mr. SIU Shawn *(resigned on 6 November 2013)*	3/3
Attendance Rate	100%
Non-executive Director	
Mr. ZHONG Guoxing *(appointed on 9 October 2013)*	1/1
Attendance Rate	100%
Independent Non-executive Directors	
Mr. CHOY Shu Kwan	4/4
Mr. CHENG Wing Keung, Raymond	4/4
Ms. CHUNG Lai Fong	4/4
Attendance Rate	100%
Overall Attendance Rate	100%

The Board is responsible for formulating and reviewing the long-term business directions and strategies, monitoring the operating and financial performance of the Group, and performing the corporate governance functions. Management is delegated by the Board with the authority to make decisions on daily operations. Both the Directors and management interact frequently to ensure efficient communications between the parties.

To the best knowledge of the Company, there is no financial, business and family relationship among members of the Board, save as Mr. Wen Xiaobing is the executive director and legal representative of 廣州市天譽房地產開發有限公司 (Guangzhou Tianyu Real Estate Development Company Limited*), a PRC incorporated company of which the Chairman of the Company, Mr. YU Pan, is the controlling shareholder.

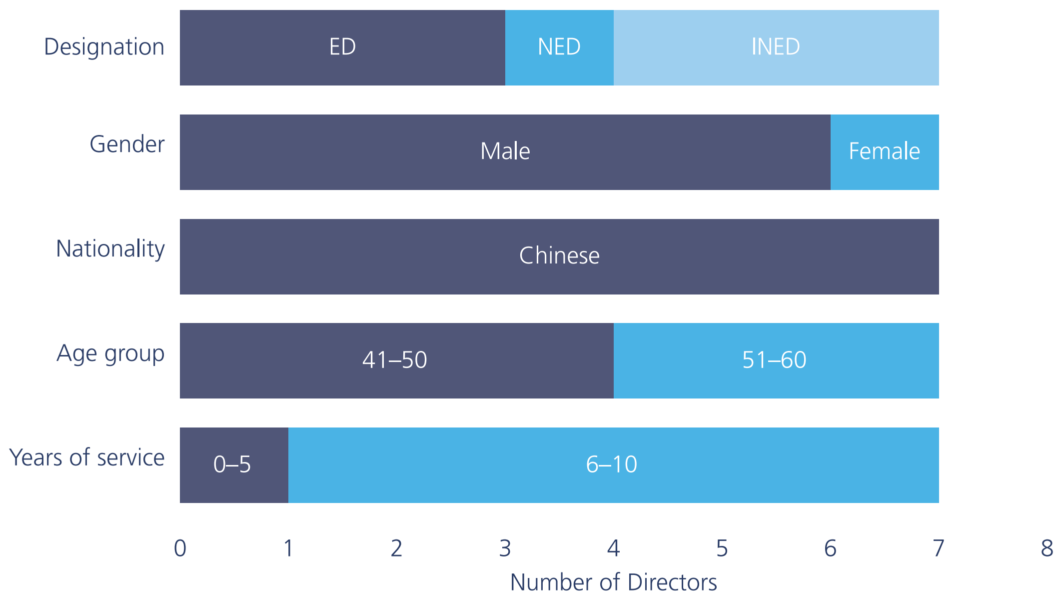
The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

BOARD DIVERSITY POLICY

The Nomination Committee has formulated a board diversity policy which was adopted by the Board in August 2013. The Board recognizes the contribution that diversification of the Board can enhance the quality of its performance but considers that it would be inappropriate to set targets on the diversity on the ground that all appointments of directors will be made on merit and individual basis. Notwithstanding, gender and other diversity issues will be taken into consideration when evaluating the skills, knowledge and experience of any candidate to fill any vacancy at the Board and candidates will be considered against contribution that he/she will bring to the Board, and at the same time with due regard to the diversity on the Board.

As at the date of this report, the Board's composition under major diversified perspectives is summarized as follows:

Board Diversity



ED: Executive Director
NED: Non-executive Director
INED: Independent Non-executive Director

DIRECTORS' RESPONSIBILITY IN THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements on a going concern basis which give a true and fair view of the state of affairs of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Relevant Employees of the Company (the "**Code**") on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules and the Code is updated from time to time in accordance with the Listing Rules requirements. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Code throughout the year under review.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Company has provided resources and supports to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. During the year ended 31 December 2013, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the year ended 31 December 2013 is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters	Attending seminars/ in-house workshops relevant to the Company's business, Listing Rules compliance, directors' duties and risk management
Executive Directors		
Mr. YU Pan *(Chairman and Chief Executive Officer)*	✓	—
Mr. WEN Xiaobing *(Deputy Chief Executive Officer, appointed on 6 November 2013)*	—	✓
Mr. WONG Lok	✓	—
Mr. SIU Shawn *(resigned on 6 November 2013)*	✓	✓
Non-executive Director		
Mr. ZHONG Guoxing *(appointed on 9 October 2013)*	—	✓
Independent Non-executive Directors		
Mr. CHOY Shu Kwan	✓	✓
Mr. CHENG Wing Keung, Raymond	✓	✓
Ms. CHUNG Lai Fong	✓	✓

SEGREGATION OF THE MANAGEMENT OF THE BOARD AND THE DAY-TO-DAY MANAGEMENT OF THE GROUP'S BUSINESS

In pace with the business development and growth of the Group, the Group currently maintains a small but efficient staff force in the daily operations of the property development business. Due to the small size of the management team, both the roles of the Chairman of the Board and Chief Executive Officer who leads the management of the Company are currently played by Mr. YU Pan. The Board considers the current simple but efficient management team serves sufficiently enough the need of the Group. The Board will, nonetheless, continue to review the business growth of the Group and, when considered essential, will set out clearer division of responsibilities at the board level and the management team to ensure a properer balance of power and authority within the Company.

CORPORATE GOVERNANCE FUNCTIONS

The board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committees, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkex.com and the Company's website at www.sfr59.com.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expense.

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Code which includes the following:

(i) to develop, review and monitor the Group's policies on corporate governance and compliance with legal and regulatory requirement;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to develop, review and monitor the code of conduct applicable to the employees and Directors; and

(iv) to review the Group's compliance with the corporate governance code and disclosure requirements in the Corporate Governance Report.

The Board has reviewed the Corporate Governance Report to ensure its compliance with the disclosure requirement as set out in the Appendix 14 to Listing Rules. The Company has defined its policy on disclosure of price sensitive information so as to comply with the requisite inside information disclosure requirements as specified under the Securities and Futures Ordinance and the Listing Rules.

REMUNERATION COMMITTEE

As at 31 December 2013, the Remuneration Committee comprises four Directors: Mr. YU Pan (the Chairman of the Board) and all three Independent Non-executive Directors, namely, Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong (Chairman of the Remuneration Committee).

The Remuneration Committee held one meeting in 2013 and all the members attended the meeting. The matters discussed included (i) the adoption of the revised terms of reference of the Remuneration Committee; (ii) the review of the remuneration policy of the Group's directors and senior management; and (iii) the review of incentive bonus paid to directors and senior management for 2012.

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the overall remuneration policy structured for all directors and senior management;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives achieved;

3. to make recommendations to the Board on the remuneration of individual executive director and senior management;

4. to make recommendations to the Board on the remuneration of non-executive directors;

5. to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment; and

6. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct and removal of directors.

NOMINATION COMMITTEE

As at 31 December 2013, the Nomination Committee comprises four Directors: Mr. YU Pan (the Chairman of the Board and Nomination Committee) and all three Independent Non-executive Directors, namely, Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong.

The Nomination Committee held two meetings in 2013 and all members attended. The matters discussed included (i) the review of the size, structure and composition of the Board; (ii) the assessment of the independence of independent non-executive directors; (iii) the recommendation of retiring Directors for re-election in 2013 Annual General Meeting; (iv) the set up of the Board Diversity Policy; and (v) the adoption of the revised terms of reference of the Nomination Committee.

The major roles and functions of the Nomination Committee are as follows:

1. to set up the fundamental and objective standards required from directors and make recommendations on the procedures of appointment of directors;

2. to select or make recommendations to the Board on selection of directors from individuals nominated for directorship;

3. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board complementing the Group's corporate strategies;

4. to assess the independence of independent non-executive directors;

5. to make recommendations to the Board on the appointment or re-appointment of directors and succession plan for directors, in particular the chairman and the chief executive;

6. to review and approve the policy on part-time work performed for organisations outside the Group by directors and senior management; and

7. to formulate board diversity policy taking into account of gender, age, tenure, culture, industry experience, educational and professional background required on the Board.

AUDIT COMMITTEE

As at 31 December 2013, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. CHOY Shu Kwan (Chairman of the Audit Committee), Mr. CHENG Wing Keung, Raymond and Ms. CHUNG Lai Fong.

The Audit Committee held three meetings in 2013 and all committee members attended. The matters discussed in the meetings included: (i) reviewing the financial statements of the Company for the year ended 31 December 2012 and the six months ended 30 June 2013 before submission to the Board for approval; (ii) considering the findings disclosed in the bi-annual internal audit reports prepared by the Internal Audit Department; (iii) reviewing the effectiveness of the Group's internal controls with discussion with the Chief Internal Auditor; and (iv) reviewing the 2014 work plan of Internal Audit Department. The representatives of the external auditor were present at the meetings held on 18 December 2013 and 15 March 2013 and discussed with the committee members the time table and scope of audit and presented their findings to the committee members on the audit of the financial statements for the year ended 31 December 2012. In a meeting held on 15 March 2013, the Audit Committee reviewed the annual results for the year ended 31 December 2012.

The major roles and functions of Audit Committee are as follows:

1. to review the integrity of accounts and financial reporting procedures;
2. to review and oversee the effectiveness of internal control systems;
3. to appoint external auditor and assess their qualifications, independence and performance; and
4. to review periodically the Company's and the Group's accounts for compliance with applicable accounting standards, legal and regulatory requirements on financial disclosures.

AUDITORS' REMUNERATION

Messrs. BDO Limited was re-appointed by the shareholders as the Company's auditor during 2013. Their engagement of the audit for 2013 was reviewed and approved by the Audit Committee on a meeting held on 18 December 2013.

During the year under review, the remuneration paid/payable to the Company's auditor is set out as follows:

Nature of service	**Fees** *(Renminbi)*
Audit services	
— Current year	802,000
Non-audit services	
— Accountancy report and other services *(note)*	723,000
— Disbursements	25,000
TOTAL	1,550,000

Note: The services provided was for the review of a statement of indebtedness, working capital forecast and pro forma financial information of the Group in connection with the Company's circular dated 18 October 2013 in relation to a major transaction of the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with all shareholders. The Company's general meetings are a valuable forum for the Board to communicate directly with the shareholders. The members of the Board and committee members and the external auditor are present to answer shareholders' questions in the meetings. Meeting circulars are distributed to all shareholders before the annual general meeting and special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the bye-laws of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll. The chairman of the meeting and/or the company secretary of the Company will explain the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. Independent scrutineers are engaged to supervise the entire process of the voting. An announcement of the results of the poll will be published in the Stock Exchange's and Company's websites after the meeting.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has defined policy to govern the release of price sensitive information to the public in an equal, timely and effective manner to enable shareholders' easy appraisal of the Company's performance and business development. The Company has made prompt releases of information about the business and other affairs of the Group to the public and announced its annual and interim results in a timely manner within the time limits as laid down in the Listing Rules.

The 2014 annual general meeting will be held at *Empire Room 1, 1st Floor, Empire Hotel Hong Kong•Wanchai, 33 Hennessy Road, Wanchai, Hong Kong on Thursday, 29 May 2014 at 3:00 p.m.*.

SHAREHOLDERS' RIGHTS

To protect the rights of shareholders to have reasonable involvements in the Company's affairs, the bye-laws of the Company and applicable laws in Bermuda (the place of incorporation of the Company) provide shareholders the following rights about the holding of general meetings of the Company:

Rights to convene a special general meeting

Pursuant to Bye-law 58 of the Company, members of the Company, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of each requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for putting forward proposals at shareholders' meeting

Subject to Section 79 of The Companies Act 1981 of Bermuda, it shall be the duty of the Company, on the requisition in writing of (i) either any number of members representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than one hundred members, at the expense of the requisitionists:

(a) to give to members of the company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such intended resolution shall be deposited to the Company's registered office or principal place of business in Hong Kong not less than six weeks before the meeting (in the case of a requisition requiring notice of a resolution); and not less than one week before the meeting (in the case of any other requisition) together with a sum reasonably sufficient to meet the Company's expenses in sending the notice.

Upon receiving the requisition, the Company would take appropriate actions and make necessary arrangements in accordance with the requirements under the provision of the Company's Bye-laws and Sections 79 and 80 of The Companies Act 1981 of Bermuda .

Company's contact details

Shareholders and other stakeholders may send their enquiries, concerns and requisitions to the Board by addressing them to the company secretary of the Company at the principal place of business in Hong Kong at 2502B, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, or by fax to (852) 2890 4459, or by email to cs@sfr59.com.

INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective internal control systems of the Group whilst the internal audit department is the designated department set up to ensure these systems are functioning. The Group's system of internal control includes a defined management structure with clear lines of reporting, limits of authority that are designed to help the Group achieve its business strategies, identify significant business risks, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information, and comply with relevant laws and regulations. Overall, the internal systems of the Group are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to mitigate failure in material aspects in the Group's operations.

The Board has reviewed the effectiveness of the internal control system of the Group through regular interaction with the Audit Committee. The Chief Internal Auditor reports to the Chairman of the Board regularly and periodically through the Audit Committee with findings on regular internal audits and makes recommendations on the internal control systems. Interim and annual internal audit reports issued by the Internal Audit Department during the year 2013 have been reviewed and discussed by the Audit Committee. While noting no material issues, the Chief Internal Auditor has identified areas for improvements and recommends remedial actions to be taken that are being followed up by the management team.

Directors' Report

The Directors herein present their annual report together with the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries during the year are property development and property investment.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 41.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 December 2013.

Details of the Company's share capital during the year are set out in note 36(a) to the financial statements.

SHARE OPTIONS

The share option scheme was adopted on 4 August 2005 (the "**2005 Scheme**").

On 22 August 2006 and 11 August 2011, the Company granted 63,850,000 and 26,000,000 options respectively to subscribe for the Company's shares under the 2005 Scheme. During the year ended 31 December 2013, 5,213,097 options were lapsed due to resignation of a holder of such options. There were in total 56,197,182 share options outstanding as at 31 December 2013.

Details of the share options scheme are set out in note 38 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 37 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2013, the Company does not have reserve (net of the Company's contributed surplus) available for cash distribution and/or distribution in specie as computed in accordance with generally accepted accounting principles of Hong Kong. The Company's share premium account in the amount of approximately RMB1,507 million can be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

WARRANTS

Details of movements in warrants issued by the Group are set out in note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 0.7% and 2.2%, respectively, of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 24.6% and 79.36%, respectively, of the Group's total purchases for the year.

To the knowledge of the Directors, none of the Directors, their associates, or any shareholders who own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

DIRECTORS AND THEIR SERVICE CONTRACTS

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

Executive Directors

Mr. YU Pan *(Chairman and Chief Executive officer)*
Mr. WEN Xiaobing *(Deputy Chief Executive Officer, appointed on 6 November 2013)*
Mr. WONG Lok
Mr. SIU Shawn *(resigned on 6 November 2013)*

Non-executive Director

Mr. ZHONG Guoxing *(appointed on 9 October 2013)*

Independent Non-executive Directors

Mr. CHOY Shu Kwan
Mr. CHENG Wing Keung, Raymond
Ms. CHUNG Lai Fong

Mr. WEN Xiaobing, Mr. ZHONG Guoxing, Mr. WONG Lok and Mr. CHENG Wing Keung, Raymond will retire from office at the forthcoming annual general meeting and being eligible, will offer themselves for re-election in accordance with clauses 86(2) and 87(1) of the Company's bye-laws and the Corporate Governance Code.

As Mr. CHENG Wing Keung, Raymond, Mr. CHOY Shu Kwan and Ms. CHUNG Lai Fong have served as independent non-executive directors for more than nine years in the Company, pursuant to code A.4.3 of the Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), their further appointment should be subject to a separate resolution to be approved by shareholders. Accordingly, Mr. CHOY Shu Kwan and Ms. CHUNG Lai Fong should also retire at the forthcoming annual general meeting and eligible, will offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as those disclosed in the section of "Connected Transactions" of the report hereinafter, no contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into with directors or existed during the year.

SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDERS

Pursuant to a bond instrument executed by the Company on 18 October 2013, the Company agreed that for so long as any of the exchangeable bonds in the principal amount of HK$298,000,000 (the "**Exchangeable Bonds**") issued by the Company on 10 October 2013 remains outstanding, it will procure that Mr. YU Pan, the controlling shareholder of the Company, (i) shall be an executive director of the Company unless waiver or alterative agreement has been reached between the Company and the holders of the Exchangeable Bonds holding an aggregate of not less than 75% of the Exchangeable Bonds then outstanding and (ii) shall hold at least 50% of the issued share capital and/or voting rights of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING 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 of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii), pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

(a) Interests in the Shares or underlying Shares

Name of Director	Company/ Associated corporation	Capacity	Number of Shares or underlying Shares *(note 1)*	Approximate shareholding percentage *(note 2)*
Mr. YU Pan	Company	Interest of controlled corporation and/or beneficial owner	1,587,168,407 (long) 52,176,635 (short)	71.61% 2.35%

Notes:

1. These Shares comprised (i) 141,504,000 existing Shares; and (ii) 1,445,664,407 existing Shares held directly by Grand Cosmos Holdings Limited ("**Grand Cosmos**"). The entire issued share capital of Grand Cosmos was held by Sharp Bright International Limited ("**Sharp Bright**"), the entire issued share capital of which was held by Mr. YU Pan. The 1,587,168,407 Shares were charged in favour of Magic Sky Enterprises Holdings Inc. ("**Magic Sky**") by way of a share charge dated 10 October 2013. In addition, Grand Cosmos has issued warrants to Magic Sky to purchase Shares from Grand Cosmos in aggregate of HK$30,000,000 at a purchase price of HK$0.57497 for 52,176,635 Shares.

2. For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 31 December 2013.

(b) Interests in underlying Shares arising from share options

As at 31 December 2013, the following Directors had interests as beneficial owners in options to subscribe for Shares granted under the 2005 Scheme:

Name of Director	Exercise price (adjusted) (HK$) *(note 1)*	Exercise period	Number of underlying Shares *(note 1)*	Approximate shareholding percentage *(note 2)*
Mr. WEN Xiaobing	1.2565	13 March 2007 to 31 July 2015	5,213,097	0.24%
	0.6714	11 August 2012 to 10 August 2021	5,213,097	0.24%
Mr. CHOY Shu Kwan	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%
Mr. CHENG Wing Keung, Raymond	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%
Ms. CHUNG Lai Fong	1.2565	13 March 2007 to 31 July 2015	625,571	0.03%

Notes:

1. As a result of the issue of 738,843,725 Shares by way of rights on the basis of one rights Share for every two Shares in issue and held on 31 May 2012 (the "**Rights Issue**") and in compliance with Rule 17.03(13) of the Listing Rules, the exercise price and the number of Shares to be issued under the outstanding Share Options were adjusted under the terms of 2005 Scheme with effect from 28 June 2012 when the Rights Issue was completed.

2. For the purpose of this section, the percentage of shareholding in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the option holding disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2013, Mr. YU Pan, the Chairman of the Company, is also a director and substantial shareholder of a company listed on the Shenzhen Stock Exchange, namely 綠景控股股份有限公司 (Lvjing Holding Co., Ltd.) which is engaged in the residential real estate development business in the mass market in the PRC. Save as the aforesaid, none of the Directors and his/her respective associates had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules).

Pursuant to a deed of non-competition dated 6 July 2006, Mr. YU Pan has undertaken to the Company that for so long as he remains as a Director or a controlling shareholder of the Company, all enquiries and actual or potential business opportunities received by him (and/or his associates) in relation to property development, project management and property investment in the PRC shall be referred, offered or made available to the Group by Mr. YU to the Company on a timely basis.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2013, so far as known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in the Shares or underlying Shares

Name of Shareholder	Capacity	Number of Shares and underlying Shares	Approximate shareholding percentage *(note 3)*
Sharp Bright	Interest of controlled corporation	1,445,664,407 (long) 52,176,635 (short) *(note 1)*	65.22% 1.93%
Grand Cosmos	Beneficial owner	1,445,664,407 (long) 52,176,635 (short) *(note 1)*	65.22% 1.93%
China Orient Asset Management Corporation ("**COAMC**")	Interest of controlled corporation	1,680,636,437 (long) *(note 2)*	75.82%
Magic Sky	Beneficial owner and/or person having a security interest in shares	1,639,345,042 (long) *(note 2)*	73.95%

Notes:

1. The 1,445,664,407 existing Shares were held directly by Grand Cosmos and Grand Cosmos has issued warrants to Magic Sky to purchase Shares from Grand Cosmos in aggregate of HK$30,000,000 at a purchase price of HK$0.57497 for 52,176,635 Shares. As the entire issued share capital of Grand Cosmos was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Grand Cosmos was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. YU Pan, Mr. YU Pan was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO. The 1,445,664,407 Shares held by Grand Cosmos together with 141,504,000 Shares held by Mr. YU Pan were charged in favour of Magic Sky by way of a share charge dated 10 October 2013.

2. These Shares comprised (i) 1,587,168,407 Shares charged in favour of Magic Sky by Grand Cosmos; (ii) 52,176,635 underlying Shares which would be transferred upon exercise of purchase rights attaching to the warrants issued by Grand Cosmos to Magic Sky at a purchase price of HK$0.57497 and (iii) 41,291,395 warrants issued by the Company to China Orient Asset Management (International) Holding Limited ("**COAMIHL**") at a subscription price of HK$0.727. COAMIHL is held equally by Dong Yin Development (Holdings) Limited ("**Dong Yin**") and Wise Leader Assets Limited ("**Wise Leader**"). Magic Sky is a wholly owned subsidiary of Taiping Orient Funds SPC ("**Taiping OFSPC**"), which is in turn a wholly owned subsidiary of Taiping Orient Fund Management Limited ("**Taiping OFML**"), which is in turn a wholly-owned subsidiary of Success Link Enterprises Holdings Inc. ("**Success Link**"), which is in turn a wholly-owned subsidiary of Wise Leader, which is in turn a wholly owned subsidiary of Dong Yin, which is in turn a wholly owned subsidiary of COAMC. Accordingly, COAMC was deemed to be interested in the Shares in which Dong Yin, Wise Leader, Success Link, Taiping OFML, Taiping OFSPC, COAMIHL and Magic Sky were interested by virtue of the SFO.

3. For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 2,216,531,175 Shares in issue as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, the Company had not been notified by any persons or corporations who had long or short position in the Shares and/or underlying Shares, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

CONNECTED TRANSACTIONS

Save as the transactions stated in note 45 to the consolidated financial statements, none of the Directors, substantial shareholders or controlling shareholders of the Company and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 31 December 2013 which was significant in relation to the business of either the Group or has any material personal interest.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 40 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirmed that the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year and up to the date of this report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the events after the end of the reporting period are set out in note 48 to the financial statements.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. BDO Limited as auditor of the Company.

On behalf of the Board

YU Pan
Chairman
Hong Kong, 24 March 2014

Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF SKYFAME REALTY (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Skyfame Realty (Holdings) Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 41 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

BDO Limited
Certified Public Accountants
CHAN Wing Fai
Practising Certificate Number P05443

Hong Kong, 24 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	7	**675,706**	53,803
Cost of sales and services		**(545,994)**	(31,006)
Gross profit		**129,712**	22,797
Other income and gains, net		**9,667**	672
Sales and marketing expenses		**(19,143)**	(15,187)
Administrative and other expenses		**(66,497)**	(73,453)
Fair value changes in investment properties	18	**36,102**	18,000
Reversal of write-down/(Write-down) of properties held for sale		**23,572**	(77,375)
Impairment loss on goodwill	20	**(313)**	—
Gain on early redemption of promissory notes		**4,152**	—
Fair value changes in derivative financial asset/liabilities		**(3,957)**	2,352
Finance costs	8	**(758)**	(10,092)
Finance income	8	**28,374**	18,513
Profit/(loss) before income tax	9	**140,911**	(113,773)
Income tax expense	13	**(28,238)**	(8,157)
PROFIT/(LOSS) FOR THE YEAR		**112,673**	(121,930)
Other comprehensive income, items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on foreign operations		**284**	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112,957**	(121,906)
Profit/(loss) for the year attributable to:			
— Owners of the Company	14	**63,989**	(79,976)
— Non-controlling interests		**48,684**	(41,954)
		112,673	(121,930)
Total comprehensive income for the year attributable to:			
— Owners of the Company		**64,273**	(79,952)
— Non-controlling interests		**48,684**	(41,954)
		112,957	(121,906)
Earnings/(loss) per share	15		
— Basic		**RMB0.029**	(RMB0.041)
— Diluted		**RMB0.029**	(RMB0.043)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	*17*	**159,450**	6,720
Investment properties	*18*	**710,826**	513,000
Properties under Tianhe Project	*19*	**768,130**	765,064
Goodwill	*20*	**13,554**	13,554
Derivative financial asset	*32*	**2,076**	—
Deposit paid for acquisition of investment property		**—**	17,432
Consideration receivable — non-current portion	*23*	**105,000**	94,078
		1,759,036	1,409,848
Current assets			
Properties under development	*24*	**2,262,709**	1,691,320
Properties held for sale	*25*	**173,395**	666,640
Consideration receivable — current portion	*23*	**—**	116,685
Trade and other receivables	*27*	**453,931**	203,804
Restricted and pledged deposits	*28*	**57,660**	252,320
Cash and cash equivalents	*29*	**300,516**	363,203
		3,248,211	3,293,972
Current liabilities			
Trade and other payables	*30*	**228,740**	244,934
Properties pre-sale deposits		**571,377**	806,355
Bank and other borrowings — current portion	*32*	**300,885**	138,271
Derivative financial liabilities — current portion	*32*	**23,963**	19,191
Loans from non-controlling shareholders of a subsidiary	*33*	**84,803**	163,600
Income tax payable		**65,801**	62,098
		1,275,569	1,434,449
Net current assets		**1,972,642**	1,859,523
Total assets less current liabilities		**3,731,678**	3,269,371

Consolidated Statement of Financial Position (continued)

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Bank and other borrowings — non-current portion	*32*	**632,542**	313,975
Derivative financial liabilities — non-current portion	*32*	**3,829**	—
Consideration from disposal of Tianhe Project	*34*	**990,360**	977,431
Deferred tax liabilities	*35*	**179,298**	175,048
		1,806,029	1,466,454
Net assets		**1,925,649**	1,802,917
Capital and reserves			
Share capital	*36*	**21,068**	21,068
Reserves	*37*	**1,828,913**	1,763,365
Equity attributable to owners of the Company		**1,849,981**	1,784,433
Non-controlling interests		**75,668**	18,484
Total equity		**1,925,649**	1,802,917

On behalf of the Board

YU Pan	**WEN Xiaobing**
Director	*Director*

Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Interests in subsidiaries	21	**2,728,031**	2,365,038
Derivative financial asset	32	**2,076**	—
		2,730,107	2,365,038
Current assets			
Amounts due from subsidiaries	21	**3,239**	139,942
Prepayments and other receivables		**387**	400
Cash and cash equivalents	29	**55**	14,057
		3,681	154,399
Current liabilities			
Accruals and other payables		**3,651**	5,657
Amounts due to subsidiaries	21	**773,200**	726,511
Other borrowings — current portion	32	**228,768**	14,361
Derivative financial liabilities — current portion	32	**23,963**	19,191
		1,029,582	765,720
Net current liabilities		**(1,025,901)**	(611,321)
Total assets less current liabilities		**1,704,206**	1,753,717
Non-current liabilities			
Other borrowings — non-current portion	32	**224,034**	213,975
Derivative financial liabilities — non-current portion	32	**3,829**	—
		227,863	213,975
Net assets		**1,476,343**	1,539,742
Capital and reserves			
Share capital	36	**21,068**	21,068
Reserves	37	**1,455,275**	1,518,674
Total equity		**1,476,343**	1,539,742

On behalf of the Board

YU Pan
Director

WEN Xiaobing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital RMB'000	**Share premium** RMB'000	**Contributed surplus reserve** RMB'000	**Share-based payment reserve** RMB'000	**Property revaluation reserve** RMB'000	**Merger reserve** RMB'000	**Statutory reserves** RMB'000	**Foreign exchange reserve** RMB'000	**Capital reserve** RMB'000	**Retained profits** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2012	15,040	1,216,194	16,116	14,770	34,499	(293,095)	6,471	(395)	7,351	547,761	1,564,712	60,438	1,625,150
Loss for the year	—	—	—	—	—	—	—	—	—	(79,976)	(79,976)	(41,954)	(121,930)
Other comprehensive income	—	—	—	—	—	—	—	24	—	—	24	—	24
Total comprehensive income for the year	—	—	—	—	—	—	—	24	—	(79,976)	(79,952)	(41,954)	(121,906)
Issue of shares upon rights issue *(Note 36(a))*	6,028	295,347	—	—	—	—	—	—	—	—	301,375	—	301,375
Share issue expenses	—	(4,359)	—	—	—	—	—	—	—	—	(4,359)	—	(4,359)
Reallocation of lapsed options from share-based payment reserve to retained profits	—	—	—	(3,753)	—	—	—	—	—	3,753	—	—	—
Recognition of equity-settled share-based payment expenses	—	—	—	2,657	—	—	—	—	—	—	2,657	—	2,657
At 31 December 2012 and 1 January 2013	**21,068**	**1,507,182**	**16,116**	**13,674**	**34,499**	**(293,095)**	**6,471**	**(371)**	**7,351**	**471,538**	**1,784,433**	**18,484**	**1,802,917**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**63,989**	**63,989**	**48,684**	**112,673**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**284**	**—**	**—**	**284**	**—**	**284**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**284**	**—**	**63,989**	**64,273**	**48,684**	**112,957**
Contribution from non-controlling shareholders of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**8,500**	**8,500**
Reallocation of lapsed options from share-based payment reserve to retained profits	**—**	**—**	**—**	**(1,444)**	**—**	**—**	**—**	**—**	**—**	**1,444**	**—**	**—**	**—**
Recognition of equity-settled share-based payment expenses	**—**	**—**	**—**	**1,275**	**—**	**—**	**—**	**—**	**—**	**—**	**1,275**	**—**	**1,275**
At 31 December 2013	**21,068**	**1,507,182**	**16,116**	**13,505**	**34,499**	**(293,095)**	**6,471**	**(87)**	**7,351**	**536,971**	**1,849,981**	**75,668**	**1,925,649**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Net cash used in operating activities	*39(a)*	**(514,211)**	(98,789)
Investing activities			
Interest received		**7,959**	17,046
Net cash inflow arising from the acquisition of a subsidiary	*39(b)*	**4,170**	—
Acquisition of investment property		**(86,288)**	(17,432)
Purchase of property, plant and equipment		**(6,412)**	(1,948)
Proceeds from disposal of property, plant and equipment		**59**	69
Decrease in restricted and pledged deposits		**194,660**	303,893
Net cash from investing activities		**114,148**	301,628
Financing activities			
Proceeds from issue of ordinary shares	*36(a)*	**—**	301,375
Share issue expenses		**—**	(4,359)
New bank and other borrowings		**664,539**	282,923
Repayment of bank and other borrowings		**(257,576)**	(615,636)
Repayment of loans from non-controlling shareholders of a subsidiary		**(78,797)**	(9,275)
Repayment of loan advance to non-controlling shareholder of a subsidiary		**—**	5,100
Capital contributions from non-controlling shareholders of subsidiaries		**8,500**	—
Net cash from/(used in) financing activities		**336,666**	(39,872)
Net (decrease)/increase in cash and cash equivalents		**(63,397)**	162,967
Effect of foreign exchange rate changes		**710**	25
Cash and cash equivalents at beginning of year		**363,203**	200,211
Cash and cash equivalents at end of year	*29*	**300,516**	363,203

1. General

Skyfame Realty (Holdings) Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its (a) registered office, (b) head office and principal place of business in the People's Republic of China ("**PRC**"), and (c) principal place of business in Hong Kong are at (a) Clarendon House, 2 Church Street, Hamilton HM11, Bermuda; (b) 32nd to 33rd floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, PRC; and (c) 2502B, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, respectively.

The Company's parent is Grand Cosmos Holdings Limited ("**Grand Cosmos**") and the directors of the Company (the "**Directors**") consider its ultimate holding company is Sharp Bright International Limited ("**Sharp Bright**"). Grand Cosmos and Sharp Bright are both incorporated in the British Virgin Islands (the "**BVI**").

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are property development and property investment.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of amendments to HKFRSs — effective 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HK(IFRIC)-Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans

As explained below, the adoption of these amendments has no material impact on the Group's financial statements.

HKFRSs (Amendments) — Annual Improvements 2009–2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

The Basis of Conclusions to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards was amended to clarify that a first-time adopter is allowed, but not required, to apply a new HKFRS that is not mandatory if that HKFRS permits early application and provided that HKFRS is applied in all periods presented unless HKFRS 1 provides on exemption or exception. The adoption of the amendments has no impact on these financial statements as the Group is not a first-time adopter of HKFRS.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(a) Adoption of amendments to HKFRSs — effective 1 January 2013 *(continued)*

Amendments to HKAS1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in notes 26, 32, 46 and 47. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(a) Adoption of amendments to HKFRSs — effective 1 January 2013 *(continued)*

HKAS 19 (2011) — Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2015
5 No mandatory effective date yet determined but is available for adoption

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 — Hedge Accounting

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2012) — Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

Amendments to HKAS 19 (2011) — Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK (IFRIC) 21 — Levies

HK (IFRIC) 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent charges to a number of standards where they are currently unclear. Among them HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

3. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except that the investment properties and derivative financial asset/liabilities are stated at their fair values as explained in the accounting policies set out in note 4.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 5.

(d) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is same as the functional currency of the Company and its principal subsidiaries.

4. Principal Accounting Policies

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. Principal Accounting Policies *(continued)*

(a) Business combination and basis of consolidation *(continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Joint arrangements

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- *Joint ventures*: where the group has rights to only the net assets of the joint arrangement; or
- *Joint operations*: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

4. Principal Accounting Policies *(continued)*

(c) Joint arrangements *(continued)*

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("**CGUs**") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

4. Principal Accounting Policies *(continued)*

(e) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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 are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land	38 years
Buildings	30 years
Furniture, fixtures and equipment	2 to 5 years
Motor vehicles	4 to 5 years

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(g) Properties under development

Properties under development, including properties under Tianhe Project, are initially recognised at cost, and subsequently at the lower of cost and net realisable value. The cost of properties comprises land costs, development expenditure, professional fees and borrowing costs capitalised. Land costs include prepaid lease payments representing up-front payments to acquire long-term interests in lessee-occupied properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. Principal Accounting Policies *(continued)*

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost represents the carrying amount of properties under development upon the completion of the construction of properties. Net realisable value represents the estimated selling price of properties sold in the ordinary course of business less estimated costs to be incurred in selling the properties.

(i) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Financial instruments

(i) Financial assets

The Group classifies its financial assets into the category of loans and receivables. The Group's accounting policy for this category is as follows:

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. Principal Accounting Policies *(continued)*

(j) Financial instruments *(continued)*

(ii) Impairment loss on financial assets *(continued)*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, loans and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. Principal Accounting Policies *(continued)*

(j) Financial instruments *(continued)*

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

(vii) Derecognition

The Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the financial asset expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged or cancelled or expires.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from goods sold or services provided, net of discounts and sales related taxes as follows:

(i) Revenue from sale of properties is recognised when the risks and rewards of ownership of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed, the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are presented as current liabilities in the statement of financial position.

(ii) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

(iii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. Principal Accounting Policies *(continued)*

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(m) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. Principal Accounting Policies *(continued)*

(m) Foreign currency *(continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of the group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of profit or loss on disposal.

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution pension plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

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

(o) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share-based payment reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

4. Principal Accounting Policies *(continued)*

(o) Share-based payments *(continued)*

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in the share-based payment reserve within equity is recognised. For cash-settled share-based payments, a liability is recognised at the fair value of the goods or services received.

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

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and investments in subsidiaries to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of a non-financial asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

4. Principal Accounting Policies *(continued)*

(r) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expenses, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(s) Related parties

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

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

4. Principal Accounting Policies *(continued)*

(s) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Key Sources of Estimation Uncertainty and Critical Accounting Judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty are as follows:

Consideration receivable

In assessing the final instalment amount to be received from the disposal of 廣州寰城實業發展有限公司 (Guangzhou Huan Cheng Real Estate Development Company Limited) ("**Huan Cheng**"), a former subsidiary engaged in the development of Tianhe Project, that is subject to adjustments pursuant to the agreement entered into with 海航酒店控股集團有限公司 (HNA Hotel Holdings Group Co. Limited) ("**HNA Hotel**") in relation to the disposal of shares of Huan Cheng, the management has taken into assumptions that there is no overrun in construction costs and delay in construction caused by the Group that may lead to compensation to be given to HNA Hotel due to the overruns. Such estimates are based on management's past experience in project management, its judgement on stable market conditions in the supply of labour and materials and the current progress of construction. In events of any material change in the estimates in subsequent periods, the carrying amount of the consideration receivable may be significantly affected.

Impairment of non-financial assets other than goodwill

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred.

Upon the occurrence of triggering events, the carrying amounts of non-financial assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus residual value of the asset on disposal. Where the recoverable amount of non-financial assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecast of future performance and long-term growth rates and the selection of discount rates. If these forecast and assumptions prove to be inaccurate or circumstances change, further write-down or reversal of the write-down of the carrying value of the non-financial assets may be required.

5. Key Sources of Estimation Uncertainty and Critical Accounting Judgements *(continued)*

Income taxes and deferred taxes

The Group is subject to taxation in the PRC and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will have impact on the income tax and/or deferred tax provisions in the period in which such determination is made.

Land appreciation taxes

PRC land appreciation tax ("**LAT**") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including land use rights, borrowing costs and all property development expenditures.

Those subsidiaries of the Company which are engaged in property development business in the PRC are subject to land appreciation taxes, which have been included in income tax expense in profit or loss. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with the relevant tax authorities in respect of certain property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and provision for land appreciation taxes in the period in which such determination is made.

Provision for write-down in value of properties under development and properties held for sale

Management of the Group reviews the development budget and the estimation of net realisable value of the properties at the end of each reporting period, and makes provision for write-down in value, if any. These estimates are based on management's monitoring of the development progress, the current market conditions which may affect the cost to complete and/or the selling price, and the historical experience of selling the properties of similar nature. It could change as a result of changes in market conditions or internal factors of the Group. Such changes will have impact on the carrying amounts of the properties and the provision for write-down in value in the period in which such estimates have been changed. The Group reassesses these estimates at the end of each reporting period.

Critical judgments in applying accounting policies are as follows:

Consideration from disposal of Tianhe Project

During the year and at the end of the reporting period, management makes judgement on whether the revenue recognition criteria set out in paragraph 14 of HKAS 18 "Revenue" in respect of the sale of the underlying assets and liabilities of the Tianhe Project have been fully satisfied, making reference to the terms of the agreement governing the sale transaction and the current circumstances of the due performance of certain obligations of the Group. Without fully satisfying the revenue recognition criteria, the related revenue and costs of the project are deferred and carried in the consolidated statement of financial position. More details have been set out in note 34.

6. Segment Reporting

In a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into two operating divisions — property development and property investment. As management of the Group considers that nearly all consolidated revenue are attributable to the markets in the PRC and consolidated non-current/current assets are substantially located in the PRC, no geographical information is presented. The Group's reportable segments are as follows:

Property development	—	Property development and sale of properties
Property investment	—	Property leasing

The Group's senior executive management monitors the results attributable to each reportable segment on the basis that revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses directly incurred by those segments. In addition to the segment performance in terms of segment results, management also provides other segment information concerning depreciation and amortisation, fair value changes in investment properties, impairment loss on goodwill and reversal of write-down/write-down of properties held for sale.

Segment assets/liabilities include all assets/liabilities attributable to those segments with the exception of cash and bank balances, unallocated bank and other borrowings, derivative financial asset/liabilities and taxes. Investment properties are included in segment assets but the related fair value changes in investment properties are excluded from segment results because the Group's senior executive management considers that they are not generated from operating activities.

6. Segment Reporting (continued)

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance in the consolidated financial statements is set out below:

	Property development RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2013			
Reportable segment revenue			
— external, and consolidated revenue	**657,728**	**17,978**	**675,706**
Segment results	**50,184**	**10,440**	**60,624**
Reconciliation:			
Unallocated corporate net expenses			**(6,885)**
			53,739
Fair value changes in investment properties	**—**	**36,102**	**36,102**
Impairment loss on goodwill	**(313)**	**—**	**(313)**
Reversal of write-down of properties held for sale	**23,572**	**—**	**23,572**
Fair value changes in derivative financial asset/liabilities			**(3,957)**
Gain on early redemption of promissory notes			**4,152**
Finance costs			**(758)**
Finance income			**28,374**
Consolidated profit before income tax			**140,911**
Other segment information:			
Depreciation and amortisation	**(539)**	**(992)**	**(1,531)**
Impairment loss on trade and other receivables	**—**	**(14)**	**(14)**
Bad debts recovered	**—**	**55**	**55**
Additions to properties under Tianhe project	**3,066**	**—**	**3,066**
Additions to properties under development	**514,234**	**—**	**514,234**
Capital expenditure	**294**	**166,126**	**166,420**
As at 31 December 2013			
Assets and liabilities			
Assets			
Reportable segment assets	**3,773,573**	**719,450**	**4,493,023**
Reconciliation:			
Derivative financial asset			**2,076**
Restricted and pledged deposits			**57,660**
Cash and cash equivalents			**300,516**
Unallocated corporate assets			**153,972**
Consolidated total assets			**5,007,247**
Liabilities			
Reportable segment liabilities	**2,259,517**	**7,828**	**2,267,345**
Reconciliation:			
Income tax payable			**65,801**
Deferred tax liabilities			**179,298**
Derivative financial liabilities			**27,792**
Unallocated bank and other borrowings			**524,919**
Unallocated corporate liabilities			**16,443**
Consolidated total liabilities			**3,081,598**

6. Segment Reporting *(continued)*

	Property development RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2012			
Reportable segment revenue			
— external, and consolidated revenue	35,033	18,770	53,803
Segment results	(51,538)	10,084	(41,454)
Reconciliation:			
Unallocated corporate net expenses			(23,717)
			(65,171)
Fair value changes in investment properties	—	18,000	18,000
Write-down of properties held for sale	(77,375)	—	(77,375)
Fair value changes in derivative financial liabilities			2,352
Finance costs			(10,092)
Finance income			18,513
Consolidated loss before income tax			(113,773)
Other segment information:			
Depreciation	(448)	(1,014)	(1,462)
Bad debts recovered	—	117	117
Additions to properties under development	367,021	—	367,021
Capital expenditure	1,182	—	1,182
As at 31 December 2012			
Assets and liabilities			
Assets			
Reportable segment assets	3,550,512	535,860	4,086,372
Reconciliation:			
Restricted and pledged deposits			252,320
Cash and cash equivalents			363,203
Unallocated corporate assets			1,925
Consolidated total assets			4,703,820
Liabilities			
Reportable segment liabilities	2,216,580	9,856	2,226,436
Reconciliation:			
Income tax payable			62,098
Deferred tax liabilities			175,048
Derivative financial liabilities			19,191
Unallocated bank and other borrowings			411,746
Unallocated corporate liabilities			6,384
Consolidated total liabilities			2,900,903

6. Segment Reporting *(continued)*

Information about major customers

None of the customers of the Group contributed more than 10% of the Group's revenue for the year ended 31 December 2013.

One of the customers of the Group's property investment segment contributed revenue amounted to approximately RMB7,479,000 for the year ended 31 December 2012, which accounted for more than 10% of the Group's revenue.

7. Revenue

Revenue represents the aggregate of the net invoiced amounts received and receivable from property development and property investment earned by the Group, and net of sales related taxes. The amounts of each significant category of revenue recognised during the year are as follows:

	2013	2012
	RMB'000	RMB'000
Sale of properties	**653,543**	32,394
Rental income	**21,730**	21,409
Others	**433**	—
	675,706	53,803

8. Finance Costs and Income

	2013 RMB'000	2012 RMB'000
Finance costs:		
Interest on bank and other borrowings		
— wholly repayable within five years	**70,220**	54,853
— wholly repayable after five years	**5,235**	4,397
Imputed interest on loan from non-controlling shareholders of a subsidiary	**—**	4,455
	75,455	63,705
Less: Amount capitalised as properties under development		
Interest on bank and other borrowings	**(75,454)**	(56,679)
Imputed interest on loan from non-controlling shareholders of a subsidiary	**—**	(4,455)
	(75,454)	(61,134)
	1	2,571
Other borrowing costs	**7,437**	15,511
Less: Amount capitalised as properties under development	**(6,680)**	(7,990)
	757	7,521
Finance costs charged to profit or loss	**758**	10,092
Finance income:		
Bank interest income	**5,425**	13,588
Default interest income on overdue consideration receivable	**18,392**	—
Other interest income	**4,557**	4,925
Finance income credited to profit or loss	**28,374**	18,513

9. Profit/(Loss) Before Income Tax

Profit/(loss) before income tax for the year has been arrived at after charging/(crediting):

	Notes	**2013 RMB'000**	2012 RMB'000
Cost of properties sold		**541,815**	24,857
(Reversal of write-down)/Write-down of properties held for sale		**(23,572)**	77,375
Cost of inventories recognised in profit or loss		**518,243**	102,232
Staff costs, including directors' emoluments	*10*	**42,286**	42,788
Auditor's remuneration			
— current year		**802**	826
— non-audit services		**748**	335
Depreciation of property, plant and equipment	*17*	**1,890**	1,627
Less: Amount capitalised as properties under development	*24*	**(19)**	(38)
Depreciation charged to profit or loss		**1,871**	1,589
Amortisation of leasehold land	*17*	**246**	—
Depreciation and amortisation charged to profit or loss		**2,117**	1,589
Loss on disposal of property, plant and equipment		**22**	63
Minimum lease payments under operating lease in respect of:			
— rented office premises		**1,251**	1,298
— rented other premises		**575**	621
Exchange (gain)/loss, net		**(8,008)**	2,303
Impairment loss on trade and other receivables		**14**	—
Bad debts recovered		**(55)**	(117)
Direct operating expenses arising from investment properties that generated rental income		**3,736**	4,303
Direct operating expenses arising from investment properties that did not generate rental income		**820**	—

10. Staff Costs

	2013 RMB'000	2012 RMB'000
Staff costs (including directors' emoluments) comprise:		
Basic salaries and other benefits	**46,161**	42,203
Bonuses	**8,848**	9,645
Equity-settled share-based payment expenses	**1,275**	2,657
Contributions to defined contribution pension plans	**2,222**	2,153
	58,506	56,658
Less: Amount capitalised as properties under development	**(16,220)**	(13,870)
Staff costs charged to profit or loss	**42,286**	42,788

11. Directors' Emoluments

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000 *(note (a))*	Bonuses RMB'000 *(note (b))*	Equity-settled share-based payment expenses RMB'000	Contributions to defined contribution pension plan RMB'000	Total RMB'000
2013						
Executive directors						
YU Pan	**—**	**1,808**	**467**	**—**	**12**	**2,287**
WEN Xiaobing *(appointed on 6 November 2013) (note (c))*	**15**	**217**	**71**	**41**	**5**	**349**
SIU Shawn *(resigned on 6 November 2013)*	**—**	**1,429**	**—**	**245**	**11**	**1,685**
WONG Lok	**—**	**212**	**—**	**—**	**10**	**222**
Non-executive director						
ZHONG Guoxing *(appointed on 9 October 2013)*	**—**	**—**	**—**	**—**	**—**	**—**
Independent non-executive directors						
CHOY Shu Kwan	**160**	**—**	**—**	**—**	**—**	**160**
CHENG Wing Keung, Raymond	**160**	**—**	**—**	**—**	**—**	**160**
CHUNG Lai Fong	**160**	**—**	**—**	**—**	**—**	**160**
	495	**3,666**	**538**	**286**	**38**	**5,023**
2012						
Executive directors						
YU Pan	—	1,763	459	—	11	2,233
SIU Shawn	—	1,581	409	511	11	2,512
LAU Yat Tung, Derrick *(office terminated on 9 January 2012)*	—	115	—	—	1	116
WONG Lok	—	215	—	—	10	225
Independent non-executive directors						
CHOY Shu Kwan	163	—	—	—	—	163
CHENG Wing Keung, Raymond	163	—	—	—	—	163
CHUNG Lai Fong	163	—	—	—	—	163
	489	3,674	868	511	33	5,575

Notes:

(a) Salaries and other benefits included basic salaries, housing and other allowances and benefits-in-kind; and

(b) Bonuses were not contractual but were discretionarily provided based on the Directors' performance. The amounts of entitlement were subject to approval by the remuneration committee of the Company.

(c) Mr. WEN Xiaobing acted as chief executive of Guangzhou head office and his emoluments for the period from January to October 2013 are included in note 12 below.

There was no arrangement under which a Director has waived or agreed to waive any emoluments during the current and prior years.

12. Emoluments of Five Highest Paid Individuals and Senior Management

Of the five individuals with the highest emoluments in the Group during the year, three (2012: two) are Director whose emoluments are included in note 11 above. The emoluments of the remaining two (2012: three) individuals and Mr. WEN Xiaobing who acted as senior management during the period from January to October 2013 are as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries and other benefits	**2,203**	3,455
Bonuses	**792**	1,080
Equity-settled share-based payment expenses	**387**	1,318
Contributions to defined contribution pension plans	**61**	102
	3,443	5,955

Their emoluments are within the following bands:

	Number of individuals	
	2013	2012
RMB1,179,001 to RMB1,572,000 (equivalent to Hong Kong dollars ("**HK$**") 1,500,001 to HK$2,000,000)	**1**	—
RMB1,572,001 to RMB1,966,000 (equivalent to HK$2,000,001 to HK$2,500,000)	**2**	2
RMB1,966,001 to RMB2,359,000 (equivalent to HK$2,500,001 to HK$3,000,000)	**—**	1

The emoluments paid or payable to members of senior management (excluding the directors as disclosed in note 11) are within the following bands:

	Number of senior management	
	2013	2012
RMB Nil to RMB786,001 (equivalent to HK$Nil to HK$1,000,000)	**1**	—
RMB786,001 to RMB1,179,000 (equivalent to HK$1,000,001 to HK$1,500,000)	**—**	—
RMB1,179,001 to RMB1,572,000 (equivalent to HK$1,500,001 to HK$2,000,000)	**2**	—
RMB1,572,001 to RMB1,966,000 (equivalent to HK$2,000,001 to HK$2,500,000)	**2**	4
RMB1,966,001 to RMB2,359,000 (equivalent to HK$2,500,001 to HK$3,000,000)	**—**	1

13. Income Tax Expense

	2013 RMB'000	2012 RMB'000
Current tax		
Hong Kong profits tax		
— over-provision in respect of prior years	—	(553)
PRC corporate tax		
— current year	17,007	3,884
PRC LAT		
— current year	6,981	326
	23,988	3,657
Deferred tax *(Note 35)*		
— current year	4,250	4,500
Total income tax expense	28,238	8,157

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 (2012: Nil) as the Group has no estimated assessable profits in respect of operation in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% (2012: 16.5%) for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2012: 25%) of the estimated assessable profits.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

13. Income Tax Expense *(continued)*

The income tax expense for the year can be reconciled to the profit/(loss) before income tax per the consolidated statement of profit or loss as follows:

	2013 RMB'000	2012 RMB'000
Profit/(loss) before income tax	**140,911**	(113,773)
Tax calculated at the applicable income tax rate of 25% (2012: 25%)	**35,228**	(28,443)
Effect of different tax rates of entities operating in other jurisdictions	**3,390**	6,616
Tax effect of expenses not deductible for tax purposes	**3,582**	3,949
Tax effect of revenue not subject to tax	**(11,829)**	(1,264)
Tax effect of tax losses not recognised	**25,791**	25,062
Utilisation of tax losses previously not recognised	**(36,072)**	—
Tax effect of LAT	**6,981**	326
Over-provision in respect of prior years	**—**	(553)
Tax effect of other temporary differences not recognised	**1,860**	4,304
Others	**(693)**	(1,840)
Income tax expense	**28,238**	8,157

14. Loss Attributable to Owners of the Company

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB64,674,000 (2012: RMB58,859,000).

15. Earnings/(Loss) Per Share

The calculation of basic and diluted earnings/(loss) per share is based on the profit/(loss) attributable to ordinary shareholders of the Company and the following data:

	2013 **RMB'000**	2012 RMB'000
Profit/(loss) attributable to ordinary shareholders of the Company for the purposes of basic earnings/(loss) per share	**63,989**	(79,976)
Effect of dilutive potential ordinary shares:		
Fair value changes in derivative financial liabilities	**—**	(3,165)
Profit/(loss) for the purposes of diluted earnings/(loss) per share	**63,989**	(83,141)

	Number of shares **'000**	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**2,216,531**	1,952,295
Effect of dilutive potential ordinary shares from warrants	**—**	152
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**2,216,531**	1,952,447

For the year ended 31 December 2013, basic earnings per share is same as diluted earnings per share as any effect from the Company's options and warrants is anti-dilutive.

16. Dividends

The Directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

17. Property, Plant and Equipment

The Group	Leasehold land RMB'000	Building RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2012	—	—	3,633	6,117	9,750
Additions	—	—	1,333	615	1,948
Written off/disposals	—	—	(701)	—	(701)
At 31 December 2012 and at 1 January 2013	**—**	**—**	**4,265**	**6,732**	**10,997**
Additions	**111,072**	**42,000**	**723**	**1,147**	**154,942**
Acquired through business combinations *(Note 39(b))*	**—**	**—**	**22**	**—**	**22**
Written off/disposals	**—**	**—**	**(144)**	**(1,348)**	**(1,492)**
Exchange differences	**—**	**—**	**(11)**	**(57)**	**(68)**
At 31 December 2013	**111,072**	**42,000**	**4,855**	**6,474**	**164,401**
Accumulated depreciation					
At 1 January 2012	—	—	1,559	1,660	3,219
Depreciation for the year	—	—	699	928	1,627
Written off/disposals	—	—	(569)	—	(569)
At 31 December 2012 and at 1 January 2013	**—**	**—**	**1,689**	**2,588**	**4,277**
Depreciation for the year	**—**	**117**	**835**	**938**	**1,890**
Amortisation for the year	**246**	**—**	**—**	**—**	**246**
Written off/disposals	**—**	**—**	**(130)**	**(1,281)**	**(1,411)**
Exchange differences	**—**	**—**	**(8)**	**(43)**	**(51)**
At 31 December 2013	**246**	**117**	**2,386**	**2,202**	**4,951**
Net book value					
At 31 December 2013	**110,826**	**41,883**	**2,469**	**4,272**	**159,450**
At 31 December 2012	—	—	2,576	4,144	6,720

18. Investment Properties

The Group	2013 RMB'000	2012 RMB'000
At beginning of year	**513,000**	495,000
Additions	**166,126**	—
Changes in fair value	**36,102**	18,000
Exchange differences	**(4,402)**	—
At end of year	**710,826**	513,000

Details of assessment of the fair value are set out in note 26.

19. Properties Under Tianhe Project

Details of the project are set out in note 34. The following table reconciles the movement of the carrying amount of costs of the Tianhe Project during the year:

The Group	2013 RMB'000	2012 RMB'000
At beginning of year	**765,064**	765,059
Additions of deed tax, relocation and other development costs	**3,066**	5
At end of year	**768,130**	765,064

20. Goodwill

The Group	2013 RMB'000	2012 RMB'000
Cost		
At beginning of year	**68,351**	68,351
Acquired through business combinations *(Note 39(b))*	**313**	—
At end of year	**68,664**	68,351
Accumulated impairment loss		
At beginning of year	**54,797**	54,797
Impairment loss recognised during the year	**313**	—
At end of year	**55,110**	54,797
Net book value		
At end of year	**13,554**	13,554

Goodwill acquired through business combinations has been allocated to the following CGU, namely property development, for impairment testing:

Project	Attributable CGU	2013 RMB'000	2012 RMB'000
Zhoutouzui Project	Property development *(Note)*	**13,554**	13,554

Note: Zhoutouzui Project refers to the development project located at Zhoutouzui, Haizhu District, Guangzhou, the PRC. The Group acquired 51% interest in the Zhoutouzui Project in 2006 and further increased its interest to 100% through a step-up acquisition which was completed on 4 June 2007. The carrying amount of property development costs in relation to the Zhoutouzui Project is included in properties under development (as disclosed in note 24).

Impairment test for goodwill

The goodwill relates to the CGU within the operational segment of property development. The recoverable amount of the CGU is determined using value-in-use calculation. This calculation uses cash flow projection based on financial budget of this CGU which is approved by management covering a five-year period with key assumptions including revenue, direct costs and other operating expenses being referenced to past performance and management's reasonable expectations on the business outlook of this CGU.

20. Goodwill *(continued)*

Impairment test for goodwill *(continued)*

Key assumptions are as follows:

CGU	Discount rate	Operating margin
2013		
Property development	**8.00%**	**52.00%**
2012		
Property development	8.00%	60.70%

Discount rate is based on the Group's management's assessment of specific risks related to the CGU. Operating margin is based on the management's perception of the market outlook.

On 30 November 2013, the Group acquired 100% of the voting equity instruments of 廣州市天譽物業管理有限公司 (Guangzhou Tianyu Property Management Company Limited) ("**Tianyu Property Management**"), a company whose principal activity is provision of property management services (Note 39(b)) and incurred RMB313,000 of goodwill which was fully impaired during the year ended 31 December 2013 (2012: Nil). The Directors performed impairment tests for the goodwill and concluded that the CGU of property development in relation to the Zhoutouzui Project demonstrates sufficient cashflow projection that justifies the carrying value of the goodwill but not Tianyu Property Management. Hence, the management did not consider impairment of goodwill necessary for Zhoutouzui Project but Tianyu Property Management.

21. Interests in Subsidiaries

The Company	Notes	2013 RMB'000	2012 RMB'000
Interests in subsidiaries — non-current portion			
Unlisted investments, at cost	*(a)*	**2,728,031**	2,365,038
Amounts due from subsidiaries — current portion			
Amounts due from subsidiaries	*(b)*	**21,226**	157,929
Less: Provision for impairment loss		**(17,987)**	(17,987)
		3,239	139,942
		2,731,270	2,504,980
Amounts due to subsidiaries	*(b)*	**(773,200)**	(726,511)

Notes:

(a) Details of the Company's principal subsidiaries as at 31 December 2013 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital	Percentage of equity interest held by the Company Directly	Percentage of equity interest held by the Company Indirectly	Principal activities
Fine Luck Group Limited	BVI	United States dollar ("**US$**")1	100%	—	Investment holding
Fortunate Start Investments Limited ("**Fortunate Start**")	BVI	US$100	—	100%	Investment holding
Graceful China Limited	Hong Kong	HK$1	100%	—	Group treasury and investment holding
廣州市創譽房地產有限公司 (Guangzhou Chuangyu Real Estate Company Limited) ("**Chuangyu**")	PRC	US$6,000,000	—	100%	Property investment in the PRC
Tianyu Property Management	PRC	RMB53,000,000	—	100%	Provision of property management services

21. Interests in Subsidiaries *(continued)*

Notes: (Continued)

(a) Details of the Company's principal subsidiaries as at 31 December 2013 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operation	Particulars of issued ordinary shares/paid-up capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
廣州譽浚諮詢服務有限公司 (Guangzhou Yu Jun Consulting Service Company Limited) ("**GZ Yu Jun**")	PRC	HK$5,000,000	—	100%	Investment holding and provision of property development project management services in the PRC
Guangzhou Zhoutouzui Development Limited ("**GZ Zhoutouzui**")	Hong Kong	HK$100	—	100%	Investment holding
貴州譽浚房地產開發有限公司 (Guizhou Yu Jun Real Estate Development Company Limited) ("**Guizhou Yu Jun**")	PRC	RMB50,000,000	—	55%	Property development in the PRC
Long World Trading Limited	BVI	US$1	—	100%	Investment holding
南寧天譽巨成置業有限公司 (Nanning Tianyu Jucheng Realty Company Limited)	PRC	RMB50,000,000	—	95%	Property development in the PRC
Skyfame Management Services Limited	Hong Kong	HK$1	100%	—	Provision of management services to group entities
Yaubond Limited ("**Yaubond**")	BVI	US$18,813,500	—	100%	Property development
永州市天譽房地產開發有限公司 (Yongzhou Tianyu Real Estate Development Company Limited) ("**YZ Tianyu Real Estate**")	PRC	RMB50,000,000	—	70%	Property development in the PRC
永州天譽旅遊發展有限公司 (Yongzhou Tianyu Tourism Development Company Limited)	PRC	RMB100,000,000	—	70%	Scenic zone management, property development and hotel operation in the PRC
Winprofit Investments Limited	BVI	US$100	100%	—	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affects the results or assets of the Group.

Chuangyu and GZ Yu Jun are wholly foreign-owned enterprises established with limited liability in the PRC.

21. Interests in Subsidiaries *(continued)*

Notes: (Continued)

(b) The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

(c) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Guizhou Yu Jun As at 31 December		**YZ Tianyu Real Estate As at 31 December**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Current				
Assets	**871,750**	1,251,483	**488,642**	219,699
Liabilities	**(745,200)**	(1,057,078)	**(350,380)**	(59,656)
	126,550	194,405	**138,262**	160,043
Non-current				
Assets	**206**	313	**1,061**	801
Liabilities	**(40,000)**	(229,497)	**(125,000)**	(146,546)
	(39,794)	(229,184)	**(123,939)**	(145,745)
Net assets/(liabilities)	**86,756**	(34,779)	**14,323**	14,298
Accumulated non-controlling interests	**39,040**	(15,651)	**4,297**	4,289

Summarised statement of profit or loss and other comprehensive income

	Guizhou Yu Jun For the year ended 31 December		**YZ Tianyu Real Estate For the year ended 31 December**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Revenue	**657,295**	35,033	**—**	—
Profit/(loss) before income tax	**145,036**	(84,105)	**(21,144)**	(12,045)
Income tax expense	**(23,500)**	(1,040)	**—**	—
Profit/(loss) after tax and total comprehensive income	**121,536**	(85,145)	**(21,144)**	(12,045)
Profit/(loss) allocated to non-controlling interests	**54,691**	(38,310)	**(6,343)**	(3,614)
Dividends paid to non-controlling interests	**—**	—	**—**	—

21. Interests in Subsidiaries *(continued)*

Notes: (Continued)

(c) Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statement of cash flows

	Guizhou Yu Jun For the year ended 31 December		YZ Tianyu Real Estate For the year ended 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Cash flows from operating activities				
Cash generated from/(used in) operations	**146,988**	127,719	**(68,398)**	(21,300)
Income tax paid	**(15,182)**	(9,872)	**(5,103)**	(849)
Interest paid	**(2,759)**	(860)	**(6,905)**	—
Other borrowing costs paid	**(4,053)**	—	**(4,758)**	—
Net cash from/(used in) operating activities	**124,994**	116,987	**(85,164)**	(22,149)
Cash flows from investing activities				
Interest received	**638**	408	**121**	22
Purchase of property, plant and equipment	**—**	(60)	**(403)**	(226)
Proceeds from sales of fixed assets	**2**	—	**—**	—
Net cash from/(used in) investing activities	**640**	348	**(282)**	(204)
Cash flows from financing activities				
Proceeds from issue of paid-up capital	**—**	—	**20,000**	—
New bank and other borrowings	**30,000**	10,000	**125,000**	—
Repayment of bank and other borrowings	**—**	(55,000)	**—**	—
(Repayment to)/advance from immediate holding company/fellow subsidiaries	**(109,978)**	(477)	**13,306**	(5,655)
Repayment of loans from non-controlling shareholders of a subsidiary	**(78,796)**	(9,275)	**—**	—
Net cash (used in)/from financing activities	**(158,774)**	(54,752)	**158,306**	(5,655)
Net (decrease)/increase in cash and cash equivalents	**(33,140)**	62,583	**72,860**	(28,008)
Cash and cash equivalents at beginning of year	**180,688**	118,105	**4,625**	32,633
Cash and cash equivalents at the end of year	**147,548**	180,688	**77,485**	4,625

The information above is the amount before inter-company eliminations.

22. Joint Arrangement

The Group

廣州市譽城房地產開發有限公司 (Guangzhou Yucheng Real Estate Development Company Limited) ("**GZ Yucheng**"), a sino-foreign cooperative company with limited liabilities established in the PRC for a renewal term of 15 years commencing on 31 March 2003 by GZ Zhoutouzui and is accounted for as a joint operation in the Group's financial statements. The Group's accounts for its share of assets, liabilities and profit or loss in relation to the joint operation in accordance with the policy are set out in note 4(c). Details of GZ Yucheng are as follows:

Place and date of establishment	Registered capital	Paid-up capital	Principal activity
PRC, 31 March 2003	US$50,000,000	US$50,000,000 (2012: US$50,000,000)	Property development in the PRC

Under the terms of the agreement entered into by the parties, (i) GZ Zhoutouzui is obligated for 100% of the capital of and investment in GZ Yucheng; (ii) GZ Zhoutouzui paid approximately RMB10,000,000 to one of the joint arrangement parties, 廣州越秀企業(集團)公司 (Guangzhou Yuexiu Enterprise (Group) Company Limited) ("**Yuexiu**"), as cash compensation in 2005, which has been included in properties under development, and Yuexiu is then no longer entitled to any profit or loss generated by GZ Yucheng; (iii) another party, 廣州港集團有限公司 (Guangzhou Port Group Co., Limited) ("**GZ Port**"), will be entitled to 28% of the total gross floor area of the project upon completion of the proposed development and after which, GZ Port will not be entitled to any profit or loss generated by GZ Yucheng; and (iv) GZ Zhoutouzui will be entitled to 72% of the total gross floor area of the project upon completion of the proposed development and the entire profit or loss to be generated or incurred by GZ Yucheng. GZ Zhoutouzui is also entitled to all assets other than the 28% properties to be allocated to GZ Port, and obliged to bear all the liabilities of GZ Yucheng under the arrangement.

Yuexiu withdrew from the joint arrangement and registration of withdrawal was completed in March 2013. As Yuexiu had no interest in the Zhoutouzui Project, its withdrawal does not have material impact on the Group's interest in the joint arrangement and on the Group's financial statements.

23. Consideration Receivable

The Group	Gross consideration	(Settled)/ Paid	**2013 RMB'000**	2012 RMB'000
Gross sale consideration for the equity interest plus net assets of Huan Cheng (net of relocation cost of fire-station borne by the Group)	1,128,273	(988,273)	**140,000**	269,614
Less: Estimated development costs and finance costs borne by the Group	(55,000)	20,000	**(35,000)**	(41,365)
	1,073,273	(968,273)	**105,000**	228,249
Less: Impairment loss recognised in overdue consideration receivable	—	—	**(12,929)**	(12,929)
Add: Reversal of impairment loss recognised in prior years	—	—	**12,929**	—
Less: Amortisation of future value in final payment	—	—	**—**	(4,557)
Amortised cost	1,073,273	(968,273)	**105,000**	210,763
Amount due within one year included in current assets	—	—	**—**	(116,685)
Amount due after one year	1,073,273	(968,273)	**105,000**	94,078

The receivable relates to the outstanding instalments receivable from the purchaser, HNA Hotel, for the disposal of Huan Cheng that is unsecured and interest-free. An estimated total sum of approximately RMB140,000,000 is receivable from HNA Hotel before taking into account the estimated costs to be borne by the Group pursuant to the agreement entered into with HNA Hotel, including estimated finance costs totalling RMB35,000,000 to be borne by the Group. Development costs of approximately RMB6,365,000 had been paid by the Group during the year. The final instalment, estimated at a present value of approximately RMB105,000,000 (2012: RMB94,078,000), is receivable when the construction of the properties is completed, which is expected to occur in more than twelve months from the end of reporting period.

In December 2013, the overdue receivable of approximately RMB130,138,000 was settled by HNA Hotel by transferring all the property interests with a total GFA of approximately 4,126 sq.m. at the office premises at the 32nd and 33rd floors of HNA Tower, Tianhe District, Guangzhou (the "**Properties**") indirectly owned by HNA Hotel to the Group . The Properties were leased to the Group as its head office in Guangzhou.

23. Consideration Receivable *(continued)*

Pursuant to the 2nd supplemental agreement dated 3 November 2012, HNA Hotel had paid, by transferring the interests in the Properties, default interests to Yaubond on the overdue consideration calculated at daily rate of 0.0577% from 1 May 2013 to 31 December 2013 for not transferring the Properties before 30 April 2013. As a result, default interests aggregating to approximately RMB18,392,000 has been accrued from 1 May 2013 to 31 December 2013. Together with the sum of the overdue consideration of approximately RMB130,138,000, a total sum of RMB148,530,000 was received from HNA Hotel as full and final settlement of the overdue consideration. The registrations of the title deeds of the Properties transferred in the PRC relevant land registry were completed in late December 2013.

On the ground of the settlement of the overdue consideration, an over-provision for impairment loss of RMB12,929,000 in 2011 was reversed in the accounts for the year ended 31 December 2013.

24. Properties Under Development

Properties under development in the PRC are as follows:

The Group	**2013** **RMB'000**	2012 RMB'000
Land use rights *(Note)*	**218,373**	266,624
Premium paid for the acquisition of the interest of the land, demolition and settlement costs	**963,365**	899,433
Construction costs	**776,865**	331,809
Others	**304,106**	193,454
	2,262,709	1,691,320

Note:

Land use rights comprise cost of acquiring rights to using certain pieces of land which are all located in the PRC for property development over fixed periods of time as defined within the range between 40 and 70 years.

24. Properties Under Development *(continued)*

The following table reconciles the movement of the carrying amount of properties under development during the year:

The Group	2013 RMB'000	2012 RMB'000
At beginning of year	**1,691,320**	1,917,289
Additions		
— Capitalisation of depreciation of property, plant and equipment	**19**	38
— Capitalisation of finance costs	**82,134**	69,124
— Land and other development costs	**514,234**	367,021
	596,387	436,183
Completed properties transferred to properties held for sale	**(24,998)**	(662,152)
At end of year	**2,262,709**	1,691,320

25. Properties Held for Sale

The Group	2013 RMB'000	2012 RMB'000
Completed properties held for sale	**173,395**	666,640

All completed properties held for sale as at 31 December 2013 were located in the PRC.

26. Analysis of Properties

(a) The analysis of the net book value of completed properties is as follows:

The Group	2013 RMB'000	2012 RMB'000
Medium-term land lease in the PRC and Hong Kong		
— Investment properties	**710,826**	513,000
Long-term land lease in the PRC		
— Leasehold land and building	**152,709**	—
— Properties held for sale	**173,395**	666,640
	1,036,930	1,179,640

(b) All of the Group's investment properties were revalued as at 31 December 2013 and 31 December 2012. The valuations were carried out by DTZ Debenham Tie Leung Limited and Ascent Partners Valuation Service Limited, independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

(c) The Group's investment properties and properties held for sale with carrying amounts as disclosed in note 44 are pledged to secure bank borrowings of the Group, as disclosed in note 32(a), at the end of the reporting period.

(d) For the year ended 31 December 2013, the rental income (net of sales related taxes) from investment properties and properties held for sale amounted to RMB17,978,000 (2012: RMB18,770,000) and RMB3,752,000 (2012: RMB2,639,000) respectively.

(e) Fair value

The following table gives information about how the fair values of investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

26. Analysis of Properties *(continued)*

(e) Fair value (continued)

Nature	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
2013					
Investment properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.	N/A	N/A	N/A
Investment properties in the PRC	Level 3	Income capitalisation approach The key inputs are: (1) Capitalisation rate; (2) Daily unit rent	(a) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 1% higher/lower, while all the other variables were held constant, the carrying value of property would decrease by approximately RMB53,000,000 and increase by approximately RMB62,000,000 respectively.
			(b) Daily unit rent, using direct market comparables and taking into account of time, location and individual factors such as size of property and facilities, of RMB396/sq.m./day for the base level.	The higher the daily unit rent, the higher the fair value.	If the daily unit rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value would increase by approximately RMB25,127,000 and decrease by approximately RMB25,127,000 respectively.
2012					
Investment properties in the PRC	Level 3	Income capitalisation approach The key inputs are: (1) Capitalisation rate; (2) Daily unit rent	(a) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5%.	The higher the capitalisation rate, the lower the fair value.	If the capitalisation rate to the valuation model is 1% higher/lower, while all the other variables were held constant, the carrying value of property would decrease by approximately RMB50,000,000 and increase by approximately RMB59,000,000 respectively.
			(b) Daily unit rent, using direct market comparables and taking into account of time, location and individual factors such as size of property and facilities, of RMB367/sq.m./day for the base level.	The higher the daily unit rent, the higher the fair value.	If the daily unit rent to the valuation model is 5% higher/lower, while all the other variables were held constant, the carrying value would increase by approximately RMB17,770,000 and decrease by approximately RMB17,770,000 respectively.

The fair value of investment properties in the PRC as at 31 December 2013 and 31 December 2012 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy.

26. Analysis of Properties *(continued)*

(e) Fair value (continued)

Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of Directors of the Company.

The movements during the year in the balance of Level 3 fair value measurements are as follows:

The Group	**2013** **RMB'000**	2012 RMB'000
Opening balance (level 3 recurring fair value)	**513,000**	495,000
Gains/(losses): included in other gains and losses	**17,000**	18,000
Closing balance (level 3 recurring fair value)	**530,000**	513,000

27. Trade and Other Receivables

The Group	Notes	2013 RMB'000	2012 RMB'000
Current or less than 1 month		**305**	246
1 to 3 months		**555**	104
More than 3 months but less than 12 months		**1,156**	916
More than 1 year		**1,377**	137
Trade receivables, net of impairment	*(a), (b)*	**3,393**	1,403
Refundable earnest money in a development project		**10,000**	10,000
Surety deposit paid for securing due performance of the construction of a hotel in Yongzhou		**30,000**	—
Tender deposit in development project		**6,000**	6,000
Prepaid construction costs		**316,882**	124,589
Prepaid finance costs		**25,131**	—
Business taxes and surcharges paid for properties pre-sold		**32,353**	45,689
Interest receivable on bank deposits		**—**	2,534
Deposits, prepayments and other receivables	*(b)*	**30,172**	13,589
		453,931	203,804

Notes:

(a) The Group has a policy of allowing an average credit period of 8 to 30 days to its trade customers. The Group's formal credit policy in place is to monitor the Group's exposure to credit risk through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount.

(b) The analysis of the Group's trade receivables which are past due but not impaired is as follows:

The Group	2013 RMB'000	2012 RMB'000
1 to 3 months past due	**555**	104
More than 3 months but less than 12 months past due	**1,156**	916
More than 1 year past due	**1,377**	137
	3,088	1,157

The Group's trade receivables which are neither past due nor impaired relate to a number of tenants of the Group's properties for whom there is no recent history of default.

27. Trade and Other Receivables *(continued)*

Notes: (continued)

(b) (continued)
The balances of other classes within trade and other receivables of the Group are neither past due nor impaired. They mainly comprise deposits with government authorities and utility service providers. Management considers that the credit risk associated with these receivables is minimal.

The movements of impairment loss on trade receivables of the Group are as follows:

The Group	**2013** **RMB'000**	2012 RMB'000
At beginning of year	**478**	595
Impairment loss recognised	**14**	—
Bad debts recovered	**(55)**	(117)
At end of year	**437**	478

28. Restricted and Pledged Deposits

The Group	*Notes*	**2013** **RMB'000**	2012 RMB'000
To secure for:			
— letter of credit issued by a bank which guarantee repayment of money market loan	*(a)*	**—**	126,000
— temporary construction facility	*(b)*	**—**	85,000
— the payment of construction cost of development projects	*(c)*	**53,233**	41,320
— others		**4,427**	—
		57,660	252,320

Notes:

(a) As at 31 December 2012, to secure a back-to-back letter of credit issued by a local bank in the PRC to a Hong Kong-based bank to guarantee repayment of the latter's money market loan granted to a subsidiary in a total of US$18,600,000 (approximately RMB116,910,000), bank deposits with an aggregate balance of RMB126,000,000 were placed in the local bank in the PRC. The money market loan was repaid the related deposits released during the year.

(b) As at 31 December 2012, there was a temporary lien over a bank deposit of RMB85 million for a proposed banking facility of RMB150 million provided to a local bank in the PRC to finance the construction of phase three of Guiyang Project. Such deposit was released as a formal bank facility has been issued.

(c) The balance represents deposits received from buyers of pre-sold properties. These deposits shall be released only to pay construction costs of the development projects.

29. Cash and Cash Equivalents

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Short-term bank deposits	**—**	300,864	**—**	1,217
Cash at bank and in hand	**358,176**	314,659	**55**	12,840
	358,176	615,523	**55**	14,057
Less: Restricted and pledged deposits *(Note 28)*	**(57,660)**	(252,320)	**—**	—
	300,516	363,203	**55**	14,057

30. Trade and Other Payables

The Group	**2013 RMB'000**	2012 RMB'000
Current or less than 1 month	**5,810**	7,574
1 to 3 months	**966**	1,069
More than 3 months but less than 12 months	**24,431**	462
More than 12 months	**1,037**	3,108
Total trade payables	**32,244**	12,213
Construction costs payable	**85,367**	162,936
Tender receivable from the suppliers	**35,749**	—
Receipts in advance, rental and other deposits from buyers, customers and/or tenants	**32,408**	23,609
Interest payable on bank and other borrowings	**1,014**	675
Other accrued expenses and other payables	**41,958**	45,501
	228,740	244,934

31. Financial Guarantee Contract

The Company

During the years ended 31 December 2013 and 2012, the Company provided a corporate guarantee to secure for the repayment of a subsidiary's borrowings as disclosed in notes 32(a) and 32(b). However, the Directors consider that the value of the guarantee is minimal, and therefore no financial guarantee contract is recognised as at 31 December 2013 and 2012.

32. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities

		The Group		The Company	
	Notes	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Bank and other borrowings					
Interest-bearing, secured					
— bank borrowings					
(i) term loans and construction loans	*(a)*	**480,625**	107,000	**—**	—
(ii) money market loans	*(b)*	**—**	116,910	**—**	—
— other borrowings					
(i) Secured Loan	*(c)*	**228,768**	213,975	**228,768**	213,975
(ii) Secured Bonds	*(d)*	**224,034**	—	**224,034**	—
Interest-bearing, unsecured					
— other borrowings	*(e)*	**—**	14,361	**—**	14,361
		933,427	452,246	**452,802**	228,336
Derivative financial asset					
— Company Repurchase Rights on Secured Bonds	*(d)*	**(2,076)**	—	**(2,076)**	—
Derivative financial liabilities					
— warrants of HK$29,800,000	*(c)*	**3,974**	6,130	**3,974**	6,130
— guaranteed return of warrants	*(c)*	**19,989**	11,856	**19,989**	11,856
— Exchange Rights and Holder Repurchase Rights on Secured Bonds	*(d)*	**3,829**	—	**3,829**	—
— warrants of HK$10,000,000	*(f)*	**—**	1,205	**—**	1,205
		27,792	19,191	**27,792**	19,191
Amounts due within one year included in current liabilities		**(23,963)**	(19,191)	**(23,963)**	(19,191)
Amounts due after one year		**3,829**	—	**3,829**	—

32. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities *(continued)*

Notes:

(a) As at 31 December 2013, the bank borrowings are secured by mortgages of ownership titles of properties under development, properties held for sale and investment properties with an aggregate carrying amount of approximately RMB1,961,350,000 (2012: RMB1,474,257,000). The bank loans carry interest at variable market rates ranging from 2.75% to 7.38% per annum (2012: 6.12% to 7.38% per annum) as at 31 December 2013. Out of the total amount of RMB480,625,000, the Company provides a corporate guarantee of approximately RMB72,117,000 to secure for the repayment of the term loans and a borrowing of RMB243,508,000 (2012: RMB30,500,000) is also secured by the personal guarantee provided by Mr. YU Pan and his spouse. An aggregated amount of RMB411,653,000 (2012: RMB40,500,000) of the bank loans are repayable in 2014, 2015 and 2016. Another loan of RMB68,972,000 (2012: Nil) is repayable by monthly instalment until 2033.

In addition, the investment property units in Tianyu Garden Phase II and the office premises at HNA Tower with an aggregate carrying amount of RMB639,709,000 are mortgaged to a financial institution for bank trust loan facility of RMB500,000,000 granted to a subsidiary. The loan facility is secured by corporate guarantees provided by the Company, certain subsidiaries and a company controlled by Mr. YU Pan and personal guarantee given by Mr. YU Pan. As at 31 December 2013, the trust loan facility was not yet drawn down.

(b) As at 31 December 2012, the money market loan of US$18,600,000 (approximately RMB116,910,000) extended by a bank in Hong Kong was secured by a bank deposit of RMB126,000,000 placed with the bank in the PRC. In addition to the pledge of deposits, the Company provides a corporate guarantee of US$18,600,000 (approximately RMB116,910,000) to secure for the repayment of the money market loan. The money market loan carried variable interests at the rate of 6 months US$ LIBOR of 0.53% plus a spread rate at 2.80% per annum. The money market loan was fully repaid in October 2013 and the securities were released.

(c) A secured loan due 2014 in the principal amount of HK$298,000,000 (RMB241,827,000) (the "**Secured Loan**") was drawdown on 22 November 2012 together with the issue of warrants, with guaranteed return conferring rights to the lender to subscribe in aggregate up to a principal amount of HK$29,800,000 (approximately RMB24,183,000) for shares of the Company, exercisable in whole or in part at any time during the subscription period from 22 November 2012 to 21 November 2014 at an initial subscription price of HK$0.7217 per share of the Company (subject to adjustment). The Secured Loan was amortised at the effective interest method by applying the effective interest rate of 18.9% per annum. The warrants are not listed on the Stock Exchange and are accounted for as derivative financial liabilities at fair value through profit or loss.

The Secured Loan carries interest, which shall be paid quarterly in arrears, at the actual rate of 7% per annum for first anniversary year and 13% per annum for second anniversary year and is repayable on 21 November 2014.

If the lender does not exercise the warrants in its entirety by the end of the exercise period, the unexercised portion of the warrants will be automatically cancelled on the expiry of the exercise period. Whereupon the Company shall pay the warrant holder a net sum equivalent to the principal amount of the warrants of HK$29,800,000 deducting the total gain realised from the exercise of the warrants (if any) by the warrant holder, with the total gain subject to the maximum amount of HK$29,800,000. This guaranteed return is accounted for as derivative financial liabilities at fair value through profit or loss.

As a security for the Secured Loan, Fortunate Start, the wholly-owned subsidiary of the Company, has charged all its rights, title and interest in GZ Zhoutouzui by way of first fixed charges in favour of the lender.

32. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities *(continued)*

Notes: (continued)

(c) (continued)

The movements of the Secured Loan are as follows:

	RMB'000
Issue of the Secured Loan, net of transaction costs	210,130
Accrued interest expense	4,026
Exchange differences	(181)
At 31 December 2012 and 1 January 2013	**213,975**
Accrued interest expense	**38,233**
Interest paid	**(16,686)**
Exchange differences	**(6,754)**
At 31 December 2013	**228,768**

(d) In October 2013, the Company has issued secured bonds in a principal amount of HK$298,000,000 (approximately RMB236,254,000) (the "**Secured Bonds**") and paid to the subscriber with an initial arrangement fee (the "**Fee**") which is equivalent to 6% of the principal amount of the Secured Bonds. Details of the Secured Bonds was set out in the Company's circular dated 18 October 2013. The Secured Bonds bear interest from the date of its issue at the rate of 10% per annum until the earlier of (i) the date on which the following of exchange rights are exercised, or (ii) the maturity date on 17 October 2015 (the "**Maturity Date**") (being the second anniversary of the date of the issuance of the Secured Bonds). Unless previously redeemed, exchanged or purchased and cancelled, the Company will redeem all the principal amount of the Secured Bonds of HK$298,000,000 at approximately HK$327,800,000 (approximately RMB266,010,000) (being the redemption price of HK$405,280,000 less the Fee of HK$17,880,000 and the total amount of interest paid up to the Maturity Date of HK$59,600,000).

Pursuant to the terms and conditions of the instrument, the bondholders shall, where so requested in writing by bondholders of at least 75% of the aggregate principal amount of the Secured Bonds then outstanding, have the right at any time during 18 October 2013 to 17 October 2015 to exchange the whole of the outstanding principal amount of the Secured Bonds registered in their names into nine GZ Zhoutouzui Shares (the "**Exchange Shares**") (being one GZ Zhoutouzui Share for every principal amount of HK$33,111,111 (approximately RMB26,870,000) of the Secured Bonds) (the "**Exchange Rights**"), representing approximately 8.26% of the enlarged issued share capital of GZ Zhoutouzui would be issued. In the event that the Exchange Rights are exercised, (i) the subscriber or any holder of the Exchange Shares may exercise the repurchase rights (the "**Holders Repurchase Rights**") at any time after the third anniversary and before the fifth anniversary of the issuance of the Secured Bonds, pursuant to which the Subscriber or any holder of the Exchange Shares may request the Company to repurchase the Exchange Shares which the Subscriber or such holder of Exchange Shares holds at the repurchase price as set out in the agreement; or (ii) the Company may at its sole discretion exercise the repurchase rights (the "**Company Repurchase Rights**") at any time after the Exchange Rights have been exercised to repurchase the Exchange Shares which the Subscriber or any holder of the Exchange Shares holds at the repurchase price as set out in the agreement.

The initial recognition amount of the Bonds of approximately RMB217,484,000 (proceeds of approximately RMB236,254,000 as adjusted by the transaction costs of approximately RMB15,591,000 and the fair value of the derivative financial liabilities of approximately RMB4,860,000 and the fair value of the derivative financial asset of approximately RMB1,681,000) is amortised using the effective interest method by applying the effective interest rate of 19.07% per annum.

As a security for the Secured Bonds, Fortunate Start, the wholly-owned subsidiary of the Company, has charged all its rights, title and interest in GZ Zhoutouzui by way of secondary share charges in favour of the bondholders.

32. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities *(continued)*

Notes: (continued)

(d) (continued)

The movements of the Secured Bonds are as follows:

	Nominal value HK$'000	Liability component RMB'000
Issue of the Secured Bonds, net of transaction costs	**298,000**	**217,484**
Accrued interest expense	—	**8,392**
Exchange differences	—	**(1,842)**
At 31 December 2013	**298,000**	**224,034**

(e) As at 5 April 2013, a promissory note in a principal amount of HK$96,000,000 (approximately RMB77,529,000) (the "**Note**") was issued to the vendor of the investment properties (the whole of 14th floor and two car park spaces of AXA Centre located in Wanchai, Hong Kong) acquired in April 2013. The Note carries interest at the fixed rate of 3.5% per annum and is repayable on 2 October 2014. The fair value of the Note at initial recognition was approximately RMB62,475,000, which was amortised at the effective interest method by applying the effective interest rate of 18.6% per annum. Pursuant to a supplemental deed entered into between the Company and the holder of the Note on 29 July 2013 (the "**Supplemental Deed**"), the Company agreed to redeem the Note at a 20% discount upon repayments of the Note within three months from the date of the Supplemental Deed. An aggregate amount of HK$76,800,000 (approximately RMB60,989,000) had been settled by 29 October 2013 and the balance of HK$19,200,000 (approximately RMB15,247,000) is written down on early redemption of the Note, which was leading to a gain on early redemption of the Note of approximately RMB4,152,000 recognised in current year.

As at 31 December 2012, the balance represents unsecured loans advanced from a third party. The borrowings carried interest at the fixed rate of 20% per annum and were fully repaid in February 2013.

(f) The warrants were issued on 20 September 2011 to a bond holder in respect of a bond in a principal amount of HK$200,000,000 (RMB165,740,000). The warrants confer rights to the subscriber of the bond to subscribe in aggregate up to a principal amount of HK$10,000,000 (RMB8,108,000) for shares of the Company, exercisable in whole or in part at any time during the subscription period from 20 September 2012 to 19 September 2013 at a subscription price of HK$0.6527 per share as adjusted as a result of the rights issue made by the Company in 2012. The warrants were expired in September 2013.

32. Bank and Other Borrowings and Derivative Financial (Asset)/Liabilities *(continued)*

At the end of the reporting period, the bank and other borrowings were repayable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
On demand or within one year	**300,885**	138,271	**228,768**	14,361
More than one year, but not exceeding two years	**484,799**	233,075	**224,034**	213,975
More than two years, but not exceeding five years	**147,743**	64,100	**—**	—
After five years	**—**	16,800	**—**	—
	933,427	452,246	**452,802**	228,336
Amounts due within one year included in current liabilities	**(300,885)**	(138,271)	**(228,768)**	(14,361)
Amounts due after one year	**632,542**	313,975	**224,034**	213,975

33. Loans from Non-Controlling Shareholders of a Subsidiary

The Group

The balances are unsecured, interest-free and have no fixed terms of repayment but are expected to be repaid within one year.

34. Consideration from Disposal of Tianhe Project

The Group

In July 2010, a framework agreement (the "**Framework Agreement**") for the transfer of the entire equity interest in Huan Cheng, the project company for the development of the Tianhe Project, was entered into between the Company, Yaubond and a third party, HNA Hotel for a gross sale consideration (the "**Consideration**") of RMB1,090,000,000, subject to certain adjustments. Such adjustments represent adjustment on net assets transferred to HNA Hotel of RMB38,273,000 and future development costs and finance costs to be borne by the Group, which are estimated to be RMB20,000,000 and RMB35,000,000 respectively. Details of the adjustment mechanism to the Consideration and timing of the payment of the Consideration was set out in the Company's circular dated 19 August 2010 which is supplemented by a memorandum of understanding signed on 8 September 2010 by the contracting parties in relation to finance cost to be borne by the Group.

34. Consideration from Disposal of Tianhe Project *(continued)*

As at 31 December 2013, consideration from disposal of Tianhe Project was estimated to be approximately RMB990,360,000 (2012: RMB977,431,000).

The Directors consider that the Framework Agreement constitutes an agreement for the sale of goods/services and the criteria for recognition of revenue set out in paragraph 14 of HKAS 18 "Revenue" apply. As the project has not been substantially completed at the end of the reporting period, the Directors are uncertain about the due performance of certain obligations under the Agreement in particular, the costs to be deducted from the Consideration under the prevailing agreement caused by overruns in construction costs which are not due to the change in design plan proposed by HNA Hotel and the delay in construction of the project not caused by the Group.

The construction progress of the project has been delayed beyond the originally agreed timeline caused by the HNA Hotel's failure to make due payments of contractors' costs. Nonetheless, the management perceives that the Group is honoring and has duly performed its obligations according to the conditions stipulated in the Framework Agreement that may otherwise subject to claims by HNA Hotel for event of default.

Despite the delay in construction progress that was caused by HNA Hotel as a result of its failure to obtain the necessary financing for the development of the project, the Directors foresee no overruns in construction costs in material aspects to which the Group is exposed, except that it will have to bear up to RMB20,000,000 for additional construction costs and any extra finance costs as a result the works delay as stipulated under the Framework Agreement.

The Directors expect that the construction will be completed in 2015, taking into account the current progress of the construction and assuming the purchaser will make due payments from the date of this report.

Based on the foregoing circumstances, the Directors are of the view that the revenue recognition criteria set out in HKAS 18 have not been fully satisfied and therefore the disposal of the assets and liabilities of the Tianhe Project is not recognised until when substantial part of the revenue can be ascertained reliably. The revenue and associated costs of the Tianhe Project are deferred until the construction is completed to a substantial progress where the revenue can be reliably measured. Therefore, the net sale consideration is recorded as consideration from disposal of Tianhe Project as at 31 December 2012 and 2013. The costs of the Tianhe Project are not derecognised, but instead included in properties under Tianhe Project in the consolidated statement of financial position as detailed in note 19.

35. Deferred Tax Liabilities

Movements of the deferred tax liabilities are as follows:

The Group	Revaluation of properties Investment properties RMB'000	 Properties under development RMB'000	Total RMB'000
At 1 January 2012	93,940	76,608	170,548
Charged to profit or loss	4,500	—	4,500
At 31 December 2012 and at 1 January 2013	**98,440**	**76,608**	**175,048**
Charged to profit or loss	**4,250**	**—**	**4,250**
At 31 December 2013	**102,690**	**76,608**	**179,298**

As at 31 December 2013, the Group and the Company have estimated unutilised tax losses of approximately RMB147,136,000 (2012: RMB180,207,000) and RMB21,317,000 (2012: RMB10,662,000) respectively for offsetting against future assessable profits. No deferred tax asset has been recognised in respect of these balances due to the unpredictability of future profit streams. The unrecognised tax losses include a balance of RMB35,316,000 which may be carried forward indefinitely, and the remaining balance of RMB111,820,000 which expires in 2018.

36. Share Capital

(a) Authorised and issued share capital

The Group and the Company	Number of shares '000	Nominal value of share capital HK$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary shares of HK$0.01 each	29,000,000	290,000	301,600
Convertible preference shares of HK$0.01 each	1,000,000	10,000	9,716
At 31 December 2012 and 2013	**30,000,000**	**300,000**	**311,316**
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2012	1,477,687	14,777	15,040
Issue of shares upon a rights issue *(Note)*	738,844	7,388	6,028
At 31 December 2012 and 2013	**2,216,531**	**22,165**	**21,068**
Convertible preference shares of HK$0.01 each			
At 31 December 2012 and 2013	—	—	—
	2,216,531	**22,165**	**21,068**

Note:

On 28 June 2012, the Company completed the rights issue of 738,843,725 ordinary shares at an issue price of HK$0.50 (approximately RMB0.416) per rights share on the basis of 1 rights share for every 2 existing ordinary shares held by members registered on 31 May 2012. The Company raised proceeds of approximately HK$369,422,000 (equivalent to approximately RMB301,375,000) (before deduction of related expenses of approximately RMB4,359,000).

All the new ordinary shares issued upon the rights issue in 2012 ranked pari passu with the existing shares in all respects.

36. Share Capital *(continued)*

(b) Capital management policy

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it by adjusting applicable policies on dividend pay-out, return to shareholders and debt and equity raising or redemption, in the light of changes in economic conditions. There have been no material changes in these objectives and policies or processes during the current and prior years.

The Company monitors capital using gearing ratio, which is calculated as net debt to the summation of capital and net debt. Net debt includes bank and other borrowings, derivative financial liabilities and loans from non-controlling shareholders of a subsidiary less cash and cash equivalents and restricted bank deposits backing up the money market loans. Capital represents equity attributable to owners of the Company.

The gearing ratio as at the end of the reporting period is calculated based on the following:

The Group	**2013 RMB'000**	2012 RMB'000
Total debt	**1,046,022**	635,037
Less: restricted bank deposits backing up the money market loans	**—**	(126,000)
Less: cash and cash equivalents	**(300,516)**	(363,203)
Net debt	**745,506**	145,834
Equity attributable to owners	**1,849,981**	1,784,433
Capital plus net debt	**2,595,487**	1,930,267
Gearing ratio (Net debt/Capital plus net debt)	**28.7%**	7.6%

37. Reserves

The Group	Share premium RMB'000	Contributed surplus reserve RMB'000	Share-based payment reserve RMB'000	Property revaluation reserve RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Foreign exchange reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	1,216,194	16,116	14,770	34,499	(293,095)	6,471	(395)	7,351	547,761	1,549,672
Issue of shares upon rights issue *(Note 36(a))*	295,347	—	—	—	—	—	—	—	—	295,347
Share issue expenses	(4,359)	—	—	—	—	—	—	—	—	(4,359)
Reallocation of lapsed options from share-based payment reserve to retained profits	—	—	(3,753)	—	—	—	—	—	3,753	—
Recognition of equity-settled share-based payment expenses	—	—	2,657	—	—	—	—	—	—	2,657
Exchange differences arising on foreign operations	—	—	—	—	—	—	24	—	—	24
Loss for the year	—	—	—	—	—	—	—	—	(79,976)	(79,976)
As at 31 December 2012 and at 1 January 2013	**1,507,182**	**16,116**	**13,674**	**34,499**	**(293,095)**	**6,471**	**(371)**	**7,351**	**471,538**	**1,763,365**
Recognition of equity-settled share-based payment expenses	**—**	**—**	**1,275**	**—**	**—**	**—**	**—**	**—**	**—**	**1,275**
Reallocation of lapsed options from the share option reserve to retained profits	**—**	**—**	**(1,444)**	**—**	**—**	**—**	**—**	**—**	**1,444**	**—**
Exchange differences arising on foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**284**	**—**	**—**	**284**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**63,989**	**63,989**
At 31 December 2013	**1,507,182**	**16,116**	**13,505**	**34,499**	**(293,095)**	**6,471**	**(87)**	**7,351**	**536,971**	**1,828,913**

37. Reserves *(continued)*

The Company	**Share premium** RMB'000	**Contributed surplus reserve** RMB'000	**Share-based payment reserve** RMB'000	**Retained profits/ (accumulated losses)** RMB'000	**Total** RMB'000
At 1 January 2012	1,216,194	16,116	14,770	31,483	1,278,563
Issue of shares upon rights issue *(Note 36(a))*	295,347	—	—	—	295,347
Share issue expenses	(4,359)	—	—	—	(4,359)
Reallocation of lapsed options from share-based payment reserve to retained profits	—	—	(3,753)	3,753	—
Recognition of equity-settled share-based payment expenses	—	—	2,657	—	2,657
Loss for the year	—	—	—	(53,534)	(53,534)
As at 31 December 2012 and at 1 January 2013	**1,507,182**	**16,116**	**13,674**	**(18,298)**	**1,518,674**
Recognition of equity-settled share-based payment expenses	**—**	**—**	**1,275**	**—**	**1,275**
Reallocation of lapsed options from the share option reserve to accumulated losses	**—**	**—**	**(1,444)**	**1,444**	**—**
Loss for the year	**—**	**—**	**—**	**(64,674)**	**(64,674)**
At 31 December 2013	**1,507,182**	**16,116**	**13,505**	**(81,528)**	**1,455,275**

37. Reserves *(continued)*

(a) The following describes the nature and purpose of each reserve within owners' equity:

Share premium	The amount relates to subscription for share capital in excess of nominal value. The application of the share premium account is governed by clause 150 of the Company's bye-laws and the Companies Act 1981 of Bermuda.
Contributed surplus reserve	The amount arose from the capital reduction, cancellation of share premium and part of which has been set-off against the accumulated losses of the Company as at 31 December 2004 pursuant to the capital re-organisation. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its owners out of the contributed surplus reserve under certain circumstances.
Share-based payment reserve	The reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees and non-employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4(o).
Property revaluation reserve	Gains/losses arising on revaluing the identifiable assets and liabilities of existing subsidiaries when the Group further acquired the equity interest in the subsidiaries from non-controlling shareholders prior to 1 January 2007.
Merger reserve	The amount represents the difference between the fair value of combined capital of the Company and the carrying value of the assets and liabilities of the subsidiaries transferred to the Group pursuant to the acquisition of 100% interests in Long World Trading Limited.
Statutory reserves	In accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the articles of association, PRC subsidiaries of the Company were required to make appropriations from net profit to the reserve fund, staff and workers' bonus and welfare fund and enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above three funds are solely determined by the board of directors, except that being a wholly foreign-owned enterprise, transfer of 10% of the net profit for each year to the statutory reserves is mandatory until the accumulated total of the fund reaches 50% of its registered capital. During the current and prior years, the Group has not made any appropriations to the staff and workers' bonus and welfare fund and enterprise expansion fund.
Foreign exchange reserve	The amount represents gains/losses arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(m).
Capital reserve	The amount represents the portion of contribution from the non-controlling shareholders of a subsidiary attributable to owners of the Company.

37. Reserves *(continued)*

(b) Distributable reserves

As at 31 December 2013, there were no distributable reserves available for distribution to owners of the Company (2012: Nil).

38. Equity-Settled Share-Based Payment Transactions

Pursuant to a resolution passed on 4 August 2005, a share option scheme was adopted (the "**2005 Scheme**"). The Company operates the 2005 Scheme for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2005 Scheme include the Directors and other employees of the Group. The 2005 Scheme became effective on 5 August 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the 2005 Scheme, the Directors are authorised, at their absolute discretion, to invite any employee (including the executive and non-executive Directors), executive or officer of any member of the Group or of any entity in which the Group holds equity interest and any supplier, consultant, adviser or customer of the Group or of any entity in which the Group holds equity interest who is eligible to participate in the 2005 Scheme, to take up options to subscribe for shares in the Company. Each option gives the holder the right to subscribe or one ordinary share in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2005 Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares of the Company in issue as at the date of adoption of the 2005 Scheme.

The Company may seek approval of the shareholders in general meeting for refreshing the 10 per cent. limit under the 2005 Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the 2005 Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10 per cent. of the total number of shares in issue as at the date of approval of the limit. Options previously granted under the 2005 Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the other scheme(s) or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

Notwithstanding aforesaid in this paragraph, the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2005 Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the total number of shares in issue from time to time.

The total number of Company's shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1 per cent. of the total number of shares in issue at the offer date (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit must be subject to the shareholders' approval in general meeting with such participant and his, her or its associates abstaining from voting.

38. Equity-Settled Share-Based Payment Transactions *(continued)*

The exercise price in respect of any particular option shall be such price as determined by the board of Directors (the "**Board**") in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares in the Company.

The offer of a grant of share options must be accepted not later than 21 days after the date of the offer, upon payment of a consideration of HK$1.00 by the grantee. The exercise period of the share options granted is determined by the Board, save that such period shall not be more than a period of ten years from the date upon which the share options are granted or deemed to be granted and accepted.

Details of the movement of the share options are as follows:

				During the year ended 31 December 2012				During the year ended 31 December 2013		
Date of grant	Exercise period	Adjusted exercise price per share after the completion of rights issue	Number of options outstanding at 1 January 2012	Options granted/ exercised	Adjusted upon completion of rights issue	Options lapsed	Number of options outstanding at 31 December 2012 and 1 January 2013	Options granted/ exercised	Options lapsed/ reallocated	Number of options outstanding at 31 December 2013
12 September 2006	13 March 2007 to 31 July 2015	HK$1.2565	45,900,000	—	1,615,273	(13,213,097)	**34,302,176**	**—**	**(5,213,097)**	**29,089,079**
11 August 2011	11 August 2012 to 10 August 2021	HK$0.6714	8,666,665	—	369,368	—	**9,036,033**	**—**	**—**	**9,036,033**
11 August 2011	11 August 2015 to 10 August 2021	HK$0.6714	8,666,667	—	369,367	—	**9,036,034**	**—**	**—**	**9,036,034**
11 August 2011	11 August 2018 to 10 August 2021	HK$0.6714	8,666,668	—	369,368	—	**9,036,036**	**—**	**—**	**9,036,036**
			26,000,000	—	1,108,103	—	**27,108,103**	**—**	**—**	**27,108,103**
			71,900,000	—	2,723,376	(13,213,097)	**61,410,279**	**—**	**(5,213,097)**	**56,197,182**
Analysis by category:										
Directors			9,800,000	—	289,810	(3,000,000)	**7,089,810**	**—**	**10,426,194**	**17,516,004**
Other employees			57,100,000	—	2,220,469	(10,213,097)	**49,107,372**	**—**	**(15,639,291)**	**33,468,081**
Non-employees			5,000,000	—	213,097	—	**5,213,097**	**—**	**—**	**5,213,097**
			71,900,000	—	2,723,376	(13,213,097)	**61,410,279**	**—**	**(5,213,097)**	**56,197,182**

The Group recognised RMB1,275,000 (2012: RMB2,657,000) (as disclosed in note 10), as equity-settled share-based payment expenses for the year ended 31 December 2013 in relation to share options granted by the Company. The number of exercisable options as at 31 December 2013 is 29,089,079 (2012: 34,302,176) (granted in 2006) and 9,036,033 (2012: 9,036,033) (granted in 2011) respectively. The weighted average remaining contractual life of the outstanding options as at 31 December 2013 is 3.49 years (2012: 4.03 years).

39. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of profit/(loss) before income tax to net cash from operating activities

	2013 RMB'000	2012 RMB'000
Profit/(loss) before income tax	**140,911**	(113,773)
Adjustments for:		
Finance costs	**758**	10,092
Finance income	**(28,374)**	(18,513)
Equity-settled share-based payment expenses	**1,275**	2,657
Depreciation of property, plant and equipment	**1,871**	1,589
Amortisation of leasehold land	**246**	—
Exchange (gain)/loss, net	**(7,492)**	2,084
Fair value changes in financial derivative asset/liabilities	**3,957**	(2,352)
Gain on early redemption of promissory notes	**(4,152)**	—
Impairment loss on trade and other receivables	**14**	—
Bad debts recovered	**(55)**	(117)
Loss on disposal of property, plant and equipment	**22**	63
Fair value changes in investment properties	**(36,102)**	(18,000)
(Reversal of write-down)/Write-down of properties held for sale	**(23,572)**	77,375
Impairment loss on goodwill	**313**	—
Operating profit/(loss) before working capital changes	**49,620**	(58,895)
Increase in properties under Tianhe Project	**(3,066)**	(5)
Increase in properties under development	**(591,803)**	(275,493)
Decrease in properties held for sale	**541,815**	24,854
Increase in consideration receivable	**(6,366)**	(13,107)
Increase in trade and other receivables	**(227,475)**	(48,351)
Increase in trade and other payables	**56,341**	29,395
(Decrease)/increase in properties pre-sale deposits	**(234,978)**	329,400
Cash used in operations	**(415,912)**	(12,202)
Income tax paid	**(20,285)**	(24,646)
Other borrowing costs paid	**(32,564)**	(15,201)
Interest paid	**(45,450)**	(46,740)
Net cash used in operating activities	**(514,211)**	(98,789)

39. Notes to the Consolidated Statement of Cash Flows *(continued)*

(b) Business acquisition during the year

On 30 November 2013, the Group acquired 100% of the voting equity instruments of Tianyu Property Management, a company whose principal activity is provision of property management services. The acquisition was made with the aims to expand the Group's existing scale of operation.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	Notes	**Carrying amount before acquisition RMB'000**
Net assets acquired:		
Property, plant and equipment	*17*	**22**
Trade and other receivables		**615**
Cash and cash equivalents		**7,170**
Trade and other payables		**(5,120)**
Net assets attributable to the Group		**2,687**
Goodwill arising on acquisition	*20*	**313**
		3,000
Satisfied by :		
Cash consideration paid		**3,000**
Net inflow arising from the acquisition of a subsidiary:		
Cash consideration paid		**(3,000)**
Cash and cash equivalents acquired		**7,170**
		4,170

39. Notes to the Consolidated Statement of Cash Flows *(continued)*

(c) Significant non-cash transactions

	2013 **RMB'000**	2012 RMB'000
Operating activities		
Decrease in consideration receivable	**130,138**	—
Decrease in trade and other receivables	**17,363**	—
Investing activities		
Default interest income on overdue consideration receivable	**18,392**	—
Acquisition of investment property	**(79,838)**	—
Purchase of property, plant and equipment	**(148,530)**	—
Financing activities		
New bank and other borrowings	**62,475**	—
	—	—

40. Employee Retirement Benefits

Defined contribution pension plans

As stipulated by the labour regulations of the PRC, the Group participates in the defined contribution pension plans organised by the municipal and provincial governments for the benefits of its employees in the PRC. The Group is required to make contributions to the plans at ranges of specified percentages of the eligible employees' salaries.

The Group also participates in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously participating in the defined contribution retirement plans as mentioned above. The MPF Scheme is a defined contribution pension scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at the rate of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (approximately RMB20,000), as increased from HK$20,000 since June 2012. The Group's contributions vest fully in the employees when contributed into the MPF Scheme.

Under all the plans, the Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than contributions described above.

41. Operating Lease Commitments

Lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

The Group	**2013** **RMB'000**	2012 RMB'000
Within one year	**741**	2,419

Lessor

At the end of the reporting period, the Group had commitments for future minimum rental receivable under non-cancellable operating leases in respect of commercial properties leased out which fall due as follows:

The Group	**2013** **RMB'000**	2012 RMB'000
Within one year	**11,209**	13,412
Later than one year but within five years	**24,385**	14,817
Later than five years	**9,371**	5,698
	44,965	33,927

42. Commitments

	2013 RMB'000	2012 RMB'000
The Group		
Expenditure contracted but not provided for in respect of		
— Property construction and development costs	**1,284,323**	779,828
— Acquisition of investment property	**—**	156,890
	1,284,323	936,718
Expenditure authorised but not contracted for in respect of		
— Property construction and development costs	**1,895,745**	1,865,902
— Acquisition of land use rights	**931,648**	931,648
	2,827,393	2,797,550
The Company		
Expenditure authorised but not contracted for in respect of		
— Property construction and development costs	**1,895,745**	1,865,902
— Acquisition of land use rights	**931,648**	931,648
	2,827,393	2,797,550

43. Contingent Liabilities

The Group provides guarantees to the extent of approximately RMB745,642,000 as at 31 December 2013 (2012: RMB385,933,000) in respect of banking 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 for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, and in such circumstances, the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates to the purchasers.

44. Pledge of Assets

At the end of the reporting period, the carrying amounts of the Group's assets included in the following categories in the consolidated statement of financial position were pledged to secure credit facilities granted to the Group as disclosed in note 32:

The Group	**2013** **RMB'000**	2012 RMB'000
Leasehold land and building	**152,709**	—
Investment properties	**667,826**	296,000
Properties under development	**1,759,691**	1,311,819
Properties held for sale	**20,833**	—
Restricted and pledged deposits	**—**	211,000
	2,601,059	1,818,819

At the end of the reporting period, shares in certain subsidiaries of the Company were also charged to secure the bank trust loan, Secured Loan and Secured Bonds and the loan facility was secured by corporate guarantees provided by the Company, the certain subsidiaries and company controlled by Mr. YU Pan and personal guarantee given by Mr. YU Pan and/or his spouse, which are disclosed in notes 32(a), 32(c) and 32(d).

45. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties:

(a) As at 31 December 2013, Mr. YU Pan and his spouse have provided personal guarantee to a bank in respect of banking facilities extended to the sino-foreign co-operative company, Yucheng, as set out in note 32(a).

As at 31 December 2013, Mr. YU Pan and a company controlled by him have provided personal guarantee and corporate guarantee to a financial institution in respect of the bank trust loan facility extend to a Company's subsidiary, which are disclosed in note 32(a).

45. Related Party Transactions *(continued)*

(b) Compensation of key management personnel

The remuneration of members of key management, including Directors' emoluments as disclosed in note 11, incurred during the year is as follows:

	2013	2012
	RMB'000	RMB'000
Short-term benefits	**10,680**	11,997
Other long-term benefits	**209**	207
Equity-settled share-based payment expenses	**1,069**	2,627
	11,958	14,831

Members of key management are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and executive officers.

46. Financial Instruments — Risk Management

Financial assets of the Group mainly include derivative financial asset, cash and cash equivalents, restricted and pledged deposits, consideration receivable and trade and other receivables. Financial liabilities of the Group include trade and other payables, bank and other borrowings, derivative financial liabilities and loans from non-controlling shareholders of a subsidiary. The Group does not hold any financial instruments for trading purposes at the end of the reporting period.

The main financial risks faced by the Group are foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

46. Financial Instruments — Risk Management *(continued)*

(a) Foreign currency risk

The Group and the Company have transactional currency exposures. Such exposures arise from financing and operating activities of the group entities conducted in currencies other than the functional currency.

The carrying amounts of the Group's and the Company's monetary assets/(liabilities) which are denominated in currencies other than the functional currencies of the respective group entities at the end of the reporting period are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Derivative financial asset				
— HK$	**2,076**	—	**2,076**	—
Cash and cash equivalents				
— US$	**995**	62,814	**—**	—
— HK$	**2,080**	16,822	**55**	14,057
Bank and other borrowings				
— US$	**—**	(116,910)	**—**	—
— HK$	**(524,919)**	(213,975)	**(452,802)**	(213,975)
Derivative financial liabilities				
— HK$	**(27,792)**	(19,191)	**(27,792)**	(19,191)

46. Financial Instruments — Risk Management *(continued)*

(a) Foreign currency risk *(continued)*

The following table demonstrates the effect of sensitivity to reasonably possible changes in US$ and HK$ exchange rates, with all other variables held constant, on the Group's and the Company's profit/(loss) after income tax in the next accounting period:

	2013		2012	
	Change in exchange rate %	**Increase/ (decrease) in profit after income tax RMB'000**	Change in exchange rate %	(Decrease)/ increase in loss after income tax RMB'000
The Group				
If United States dollar weakens against Renminbi	**4%**	**(40)**	4%	(2,164)
If United States dollar strengthens against Renminbi	**4%**	**40**	4%	2,164
If Hong Kong dollar weakens against Renminbi	**4%**	**21,942**	4%	(8,654)
If Hong Kong dollar strengthens against Renminbi	**4%**	**(21,942)**	4%	8,654
The Company				
If Hong Kong dollar weakens against Renminbi	**4%**	**19,139**	4%	(9,263)
If Hong Kong dollar strengthens against Renminbi	**4%**	**(19,139)**	4%	9,263

46. Financial Instruments — Risk Management *(continued)*

(b) Interest rate risk

The following table details the interest rate profile of the Group's and the Company's financial assets and liabilities as at the end of the reporting period based upon which the Company's management evaluates the interest rate risk:

	2013 Effective interest rate (% per annum)	2013 Amount RMB'000	2012 Effective interest rate (% per annum)	2012 Amount RMB'000
The Group				
Financial assets				
Fixed rate receivables				
— Restricted and pledged deposits	—	—	3.08% to 4.25%	211,000
— Short-term bank deposits	—	—	0.15% to 3.50%	89,864
Floating rate receivables				
— Restricted and pledged deposits	**0.35%**	**57,660**	0.35%	41,320
— Other cash at bank	**0.01% to 0.35%**	**300,516**	0.01% to 0.35%	271,179
Financial liabilities				
Non-interest bearing borrowings				
— Loans from non-controlling shareholders of a subsidiary	—	**84,803**	—	163,600
Fixed rate borrowings				
— Other borrowings	**18.9% to 19.07%**	**452,802**	18.9% to 20.00%	228,336
Floating rate borrowings				
— Bank borrowings	**2.75% to 7.38%**	**480,625**	3.33% to 7.38%	223,910
The Company				
Financial assets				
Fixed rate receivables				
— Short-term bank deposits	**0.15%**	—	0.15%	12,170
Floating rate receivables				
— Other cash at bank	**0.01%**	**55**	0.01%	1,586
Financial liabilities				
Fixed rate borrowings				
— Other borrowings	**18.9% to 19.07%**	**452,802**	18.9% to 20.00%	228,336

46. Financial Instruments — Risk Management *(continued)*

(b) Interest rate risk *(continued)*

The Group's exposure to interest rate risk for changes in interest rates primarily relates to the Group's restricted and pledged deposits, cash at bank included in cash and cash equivalents and floating rate bank and other borrowings. The Group does not use derivative financial instruments to hedge its cash flow interest rate risk of the Group's borrowings.

The following table demonstrates the effect of sensitivity to reasonably possible changes in interest rates, with all other variables held constant, on the Group's and the Company's profit/(loss) after income tax in the next accounting period:

	2013		2012	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit after income tax RMB'000**	Increase/ (decrease) in basis points	(Decrease)/ increase in loss after income tax RMB'000
The Group				
Floating rate financial assets				
Increase in floating rate	**100**	**3,582**	100	(3,125)
Decrease in floating rate	**(100)**	**(3,582)**	(100)	3,125
Floating rate financial liabilities				
Increase in floating rate	**500**	**(24,031)**	500	11,196
Decrease in floating rate	**(500)**	**24,031**	(500)	(11,196)
The Company				
Floating rate financial assets				
Increase in floating rate	**100**	**1**	100	(16)
Decrease in floating rate	**(100)**	**(1)**	(100)	16

(c) Credit risk

The Group's exposure to credit risk arises from the consideration receivable and trade and other receivables. Management has performed in-depth due diligence reviews of the financial background and creditability of the purchaser of the Company's stake interests in Huan Cheng, HNA Hotel on the management's assessment on the ability of HNA Hotel to transfer the ownership in the office units at HNA Tower to the Group.

Management has a formal credit policy in place and the exposure to credit risk is monitored through regular reviews of receivables and follow-up enquires on overdue accounts. Credit evaluations are performed on all customers requiring credit over a certain amount. At the end of the reporting period, there is no significant concentration of credit risk in trade and other receivables.

46. Financial Instruments — Risk Management *(continued)*

(c) Credit risk *(continued)*

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and restricted and pledged deposits, arises from possible default of the counterparty. At the end of the reporting period, the Group has placed these deposits with banks and financial institutions of high credit.

(d) Liquidity risk

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

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

	Total undiscounted cashflow							
The Group	**On demand** RMB'000	**Less than 3 months** RMB'000	**3 to 12 months** RMB'000	**1 to 2 years** RMB'000	**2 to 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000	**Carrying amount** RMB'000
2013								
Trade and other payables	**29,912**	**22,681**	**176,147**	**—**	**—**	**—**	**228,740**	**228,740**
Bank and other borrowings	**72,117**	**20,020**	**321,356**	**576,192**	**156,044**	**—**	**1,145,729**	**933,427**
Loans from non-controlling shareholders of a subsidiary	**—**	**—**	**84,803**	**—**	**—**	**—**	**84,803**	**84,803**
Guarantee for property mortgage	**745,642**	**—**	**—**	**—**	**—**	**—**	**745,642**	**—**
	847,671	**42,701**	**582,306**	**576,192**	**156,044**	**—**	**2,204,914**	**1,246,970**
2012								
Trade and other payables	9,201	23,549	212,184	—	—	—	244,934	244,934
Bank and other borrowings	—	4,247	161,600 *(Note)*	312,833	83,102	17,711	579,493	452,246
Loans from non-controlling shareholders of a subsidiary	—	—	163,600	—	—	—	163,600	163,600
Guarantee for property mortgage	385,933	—	—	—	—	—	385,933	—
	395,134	27,796	537,384	312,833	83,102	17,711	1,373,960	860,780

Note: As at 31 December 2012, the bank borrowing of the Group of US$18,600,000 (approximately RMB116,910,000), was secured by standby letter of credit issued by a bank that was secured by the Group's bank deposits of RMB126,000,000 maturing at the same time of the bank borrowing.

46. Financial Instruments — Risk Management *(continued)*

(d) Liquidity risk *(continued)*

The Company	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
	Total undiscounted cashflow							
2013								
Other payables	**2,268**	**498**	**885**	**—**	**—**	**—**	**3,651**	**3,651**
Other borrowings	**—**	**13,582**	**298,020**	**281,145**	**—**	**—**	**592,747**	**452,802**
Amounts due to subsidiaries	**773,200**	**—**	**—**	**—**	**—**	**—**	**773,200**	**773,200**
Financial guarantee contract	**72,117**	**—**	**—**	**—**	**—**	**—**	**72,117**	**—**
	847,585	**14,080**	**298,905**	**281,145**	**—**	**—**	**1,441,715**	**1,229,653**
2012								
Other payables	3,603	526	1,528	—	—	—	5,657	5,657
Other borrowings	—	—	33,565	297,191	—	—	330,756	228,336
Amounts due to subsidiaries	726,511	—	—	—	—	—	726,511	726,511
Financial guarantee contract	116,910	—	—	—	—	—	116,910	—
	847,024	526	35,093	297,191	—	—	1,179,834	960,504

47. Financial Instruments — Carrying Amount and Fair Value

The following table shows the carrying amount and fair value of financial assets and liabilities of the Group and of the Company at the end of the reporting period:

	2013 Carrying amount RMB'000	2013 Fair value RMB'000	2012 Carrying amount RMB'000	2012 Fair value RMB'000
The Group				
Financial assets				
Trade and other receivables	**453,931**	***(Note)***	203,804	*(Note)*
Deposit paid for acquisition of investment property	**—**	**—**	17,432	*(Note)*
Consideration receivable	**105,000**	***(Note)***	210,763	*(Note)*
Derivative financial asset	**2,076**	**2,076**	—	—
Restricted and pledged deposits	**57,660**	***(Note)***	252,320	*(Note)*
Cash and cash equivalents	**300,516**	***(Note)***	363,203	*(Note)*
Financial liabilities				
Trade and other payables	**228,740**	***(Note)***	244,934	*(Note)*
Bank and other borrowings				
— the Secured Loan	**228,768**	**223,197**	213,975	229,794
— the Secured Bonds	**224,034**	**209,224**	—	—
— other than the Secured Loan and Secured Bonds	**480,625**	***(Note)***	238,271	*(Note)*
Derivative financial liabilities	**27,792**	**27,792**	19,191	19,191
Loans from non-controlling shareholders of a subsidiary	**84,803**	***(Note)***	163,600	*(Note)*
The Company				
Financial assets				
Amounts due from subsidiaries	**3,239**	***(Note)***	139,942	*(Note)*
Other receivables	**387**	***(Note)***	400	*(Note)*
Derivative financial asset	**2,076**	**2,076**	—	—
Cash and cash equivalents	**55**	***(Note)***	14,057	*(Note)*
Financial liabilities				
Accruals and other payables	**3,651**	***(Note)***	5,657	*(Note)*
Amounts due to subsidiaries	**773,200**	***(Note)***	726,511	*(Note)*
Other borrowings				
— the Secured Loan	**228,768**	**223,197**	213,975	229,794
— the Secured Bonds	**224,034**	**209,224**	—	—
— other than the Secured Loan and Secured Bonds	**—**	**—**	14,361	*(Note)*
Derivative financial liabilities	**27,792**	**27,792**	19,191	19,191

Note: The Directors consider that the carrying amounts of these categories approximate their fair value on the grounds that either their maturities are short or their effective interest rates are approximate to the discount rates as at the end of the reporting period.

47. Financial Instruments — Carrying Amount and Fair Value *(continued)*

The fair values of financial assets and financial liabilities are determined as follows:

— The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using information from observable current market transactions.

— The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, option pricing models are used for option derivatives.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Company	**2013 Level 3 RMB'000**	2012 Level 2 RMB'000
Financial asset at fair value through profit or loss		
— Derivative	**2,076**	—
Financial liabilities at fair value through profit or loss		
— Derivatives	**27,792**	19,191

47. Financial Instruments — Carrying Amount and Fair Value *(continued)*

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

The Group and the Company	Financial asset RMB'000	Financial liabilities RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	—	19,191	**19,191**	4,355
Issue of the Secured Loan	—	—	**—**	17,188
Issue of the Secured Bonds	(1,681)	4,860	**3,179**	—
Total gains or losses:				
— Changes in fair value recognised in profit or loss during the year	(409)	4,365	**3,956**	(2,352)
— Exchange differences	14	(624)	**(610)**	—
At 31 December	(2,076)	27,792	**25,716**	19,191

During the year ended 31 December 2013, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

47. Financial Instruments — Carrying Amount and Fair Value *(continued)*

Financial asset/ liabilities	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial asset at fair value through profit or loss	Derivative financial asset — Company Repurchase Rights	Level 3	The fair value of Company Repurchase Rights is calculated using the Binomial model. Key inputs: — Fair value of the underlying shares of the property project; — Discount rate;	The fair value of the underlying properties based on valuation *(note 1)* and illiquidity discount rate	The higher the fair value of the underlying shares of the property project, the higher the fair value. The higher the discount rate, the lower the fair value.
Financial liabilities at fair value through profit or loss	Derivative financial liabilities — Exchange Rights	Level 3	The value of the Exchange Rights is the difference between the value of the Exchangeable Bonds calculated by binomial model, without the Company Repurchase Rights and the Holder Repurchase Rights, and that of the same instrument but without the Exchange Rights. Key inputs: — Fair value of the underlying shares of the property project; — Discount rate;	The fair value of the underlying properties based on valuation *(note 1)* and illiquidity discount rate	The higher the fair value of the underlying shares of the property project, the higher the fair value. The higher the discount rate, the lower the fair value.
Financial liabilities at fair value through profit or loss	Derivative financial liabilities — Holder Repurchase Rights	Level 3	The fair value of the Holder Repurchase Rights is calculated using the Binomial model. Key inputs: — Fair value of the underlying shares of the property project; — Discount rate;	The fair value of the underlying properties based on valuation *(note 1)* and illiquidity discount rate	The higher the fair value of the underlying shares of the property project, the higher the fair value. The higher the discount rate, the lower the fair value.
Financial assets at fair value through profit or loss	Derivative financial liabilities — Warrants and guaranteed return of warrants	Level 3	The fair value of the warrants is calculated using the Binomial model. Key inputs: — Fair value of the listed share price; — Expected volatility;	Expected volatility *(note 2)*	The higher the expected volatility, the higher the fair value.

47. Financial Instruments — Carrying Amount and Fair Value *(continued)*

Note 1: If the fair value of the underlying properties is 5% higher/lower while all other variables were held constant, the carrying amount of the derivative financial asset (Company Repurchase Rights), derivative financial liabilities (Exchange Rights and Holder Repurchase Rights) would increase/decrease by approximately RMB605,000 and RMB574,000 respectively as at 31 December 2013.

If the illiquidity discount rate is 1% higher/lower while all other variables were held constant, the carrying amount of the derivative financial asset (Company Repurchase Rights), derivative financial liabilities (Exchange Rights and Holder Repurchase Rights) would decrease/increase by approximately RMB126,000 and RMB126,000 respectively as at 31 December 2013.

Note 2: The fair value measurement is positively correlated to the expected volatility. It is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would increase/decrease by approximately RMB280,000 and RMB564,000 respectively as at 31 December 2013.

48. EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2014, the Group has been successful in the tenders for Nanning lands at a respective price of RMB968,119,200 and RMB229,380,720. The lands, with total lot size of 231,563.08 sq. m. (347.344 mu), are granted for the development of residential and commercial properties respectively for a term of 70 years and 40 years.

In February 2014, the Company entered into a placing agreement with an arranger & bookrunner pursuant to which the arranger & bookrunner agreed to act as the exclusive arranger and bookrunner for the Company in relation to the placing by or on behalf of the Company of the Bonds, to (a) procure placees to subscribe for HK$30,000,000 principal amount of the bonds and (b) to use its best efforts to procure placees to subscribe for the remaining HK$70,000,000 principal amount of the bonds, on the terms and subject to the conditions set out in the placing agreement and the mandate letter during the period commencing upon the date of the placing agreement and ending on 31 July 2014 (or such later time and date as the Company and the arranger & bookrunner may agree in writing).

49. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 24 March 2014.

Five Year Financial Summary

The following table summaries the results, assets and liabilities of the Group:

	2013 **RMB'000**	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
RESULTS					
For the year ended 31 December					
Revenue	**675,706**	53,803	32,951	366,493	268,609
Profit/(loss) before income tax	**140,911**	(113,773)	(69,429)	926,949	(1,508,925)
Income tax (expense)/credit	**(28,238)**	(8,157)	7,600	(45,798)	409
Profit/(loss) for the year	**112,673**	(121,930)	(61,829)	881,151	(1,508,516)
Attributable to					
— Owners of the Company	**63,989**	(79,976)	(51,861)	871,435	(1,502,385)
— Non-controlling interests	**48,684**	(41,954)	(9,968)	9,716	(6,131)
	112,673	(121,930)	(61,829)	881,151	(1,508,516)
FINANCIAL POSITION					
At 31 December					
Total assets	**5,007,247**	4,703,820	4,417,261	4,032,560	3,836,645
Total liabilities	**(3,081,598)**	(2,900,903)	(2,792,111)	(2,386,074)	(3,084,503)
Net assets	**1,925,649**	1,802,917	1,625,150	1,646,486	752,142
Non-controlling interests	**(75,668)**	(18,484)	(60,438)	(31,406)	(15,675)
Equity attributable to owners of the Company	**1,849,981**	1,784,433	1,564,712	1,615,080	736,467

Particulars of Major Properties

Location	Lease period	Site area	Development type	Gross floor area (GFA)	Effective equity interest % held	Stage of development	Anticipated completion of construction	Open market value	Market value attributable to the Group
		(sq.m.)		*(sq.m. approx.)*				*RMB'000*	*RMB'000*

(A) Details of the Group's properties held for/under development and properties held for sale at 31 December 2013 are as follows:

Location	Lease period	Site area	Development type	Gross floor area (GFA)	Effective equity interest % held	Stage of development	Anticipated completion of construction	Open market value	Market value attributable to the Group
1. A plot of waterfront land for the development of the Zhoutouzui Project, the north of Machong, west of Hongde Road, south and east of Pearl River, Haizhu District, Guangzhou, Guangdong Province, the PRC.	2009 to 2049/ 2059/ 2079	43,609	Above ground:		72%	Construction in progress	2015 to 2017	4,100,000 *(Note 1, 2 & 3)*	4,100,000 *(Note 1, 2 & 3)*
			Residential	148,672					
			Office	28,165					
			Hotel/ Serviced apartment	8,275					
			Commercial	4,236					
			Kindergarten	2,881					
			Other (non-sale)	19,716					
			Public facilities	21,735					
			Underground:						
			Facilities and others	3,449					
			Carparks	81,165					
				318,294					
2. Various completed residential units, retail units and car parking units of Phase I and II, whole of III of the residential development known as Skyfame City, Xiaoguan Maochong, Yunyan District, Guiyang, Guizhou Province, the PRC.	2008 to 2048–49/ 2078–79	136,447 (excluding roads)	Residential		55%	Construction of Phase 3 in progress	2014 to 2015	791,000 *(Note 1 & 2)*	435,050 *(Note 1 & 2)*
			— Phase 1 and 2 (completed and unsold/ unoccupied)	4,763					
			— Phase 3	198,095					
			Commercial	14,035					
			Public facilities	22,460					
			Basement	102,735					
				342,088					
3. Phase 1 of Yongzhou Land, known as Tianyu Huafu, junction of Yangming Avenue, Xiangkouguan Road and Lizhi Road, Lingling District, Yongzhou, Hunan Province, the PRC.	2011–2051/2081	70,950	Residential	153,042	70%	Construction in progress	2013 to 2015	521,000 *(Note 1 & 2)*	364,700 *(Note 1 & 2)*
			Commercial	25,559					
			Ancillary	5,382					
			Carparks	21,389					
				205,372					
				865,754				5,412,000	4,899,750

Location	Lease period	Site area	Development type	Gross floor area (GFA)	Effective equity interest % held	Stage of development	Anticipated completion of construction	Open market value	Market value attributable to the Group
		(sq.m.)		*(sq.m. approx.)*				*RMB'000*	*RMB'000*
(B) Details of the Group's investment properties at 31 December 2013 are as follows:									
All the shops on 2/F and 5/F, 22 units on mezzanine floor and room 403 of 4/F and units 140-142, 6/F of commercial podium, Tianyu Garden Phase 2, situated at Nos. 136, 138, 146 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.	2000 to 2040	—	Office/retail	19,790	100%	—	—	530,000 *(Note 1)*	530,000 *(Note 1)*
14th Floor and Car Parking Space Nos.307 and 308 on 3rd Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	1928 to 2027	—	Office	1,347	100%	—	—	180,826 *(Note 4)*	180,826 *(Note 4)*
				21,137				710,826	710,826
(C) Details of the Group's leasehold land and building at 31 December 2013 are as follows:									
Office units on levels 32 and 33 of HNA Tower, suited at 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province the PRC	2001 to 2050	—	Office	4,126	100%	—	—	157,000 *(Note 1)*	157,000 *(Note 1)*
Total (A to C)								**6,279,826**	**5,767,576**

Notes:

1. The properties were revalued on an open market value basis by an independent firm of professional valuers, DTZ Debenham Tie Leung Limited, Chartered Surveyors, as at 31 December 2013.

2. Valuation of open market value of the properties is based on the assumptions that the properties will be developed and completed in accordance with the Group's latest development proposal, and that all consents, approvals and licences from relevant government authorities have been obtained without onerous condition or delay.

3. The open market value has already reflected the entitlement of 28% interest over the completed properties in the development by a Chinese co-operative joint venture partner.

4. The properties were revalued on an open market value basis by an independent firm of professional valuers, Ascent Partners Valuation Service Limited, Chartered Surveyors, as at 31 December 2013.