寶龍地產控股有限公司
Powerlong Real Estate Holdings Limited

Stock code: 1238

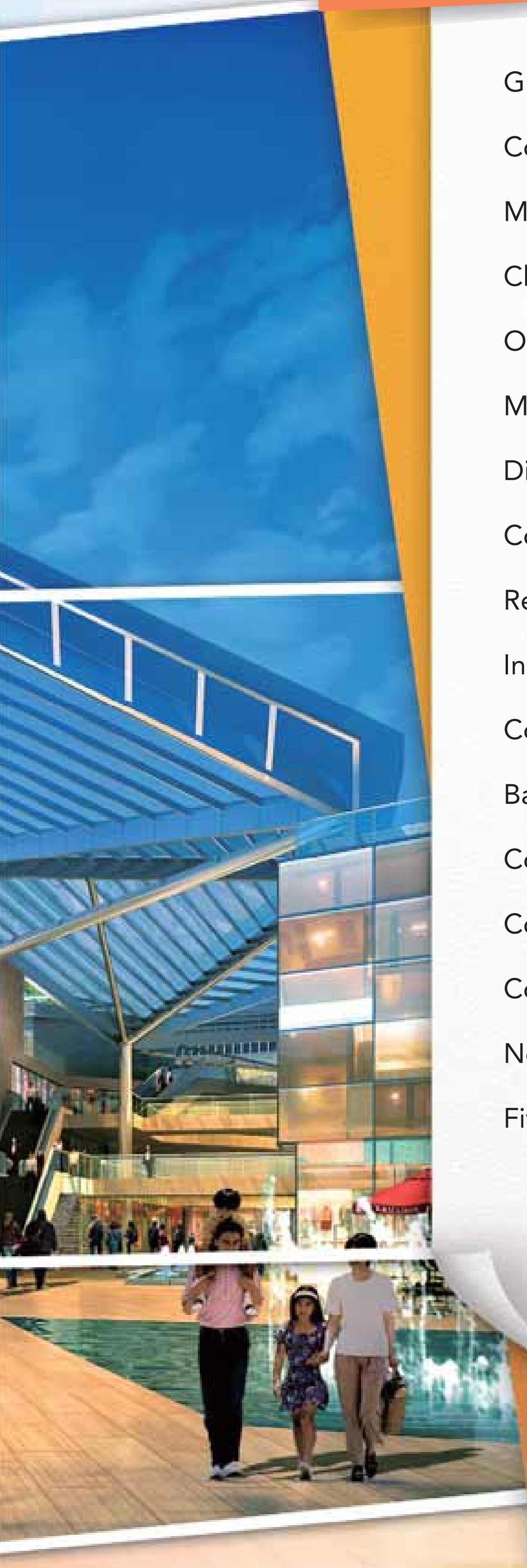
(Incorporated in the Cayman Islands with limited liability)

Artist's impression of Shanghai Qibao Powerlong City Plaza

POWERLONG

2013 ANNUAL REPORT

CONTENTS



Group Introduction

Powerlong Real Estate Holdings Limited (HK.1238) (the "Company") and its subsidiaries (collectively as the "Group") are dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 October 2009. The Group is committed to improving the living standard of the citizens and driving the urbanization progress in China.

The Group had 41 real estate projects as at 31 December 2013. Powerlong City Plaza which comprises of shopping malls, restaurants, leisure and other recreational facilities has created a unique business model drawing extensive attention and recognition from the government and the public. Each project does not only promote the regional economic development, but also improves the retail facilities of the cities and creates job opportunities. The upgrade of people's living standard is a key driver for city quality improvement.

The successful development of the Group is attributable to the innovative vision from the chairman of the Company, Mr. Hoi Kin Hong. Mr. Hoi instilled his insights and visions at the beginning of the corporate development and drove the evolvement. The Group will continue to uphold the belief of "Creditability, Courtesy, Innovation, Enthusiasm" and build up an efficient and excellent team to create values for the society, customers, shareholders and our staff.

Corporate Information

Directors

Executive Directors

Mr. Hoi Kin Hong (Chairman of the Board of Directors)
Mr. Hoi Wa Fong (Chief Executive Officer)
Mr. Xiao Qing Ping (Vice Chief Executive Officer)
Ms. Shih Sze Ni (Executive Director of Commercial Group)
Mr. Guo Jun (Vice Chief Executive Officer) (appointed on 1 April 2014)

Non-executive Directors

Ms. Hoi Wa Fan
Ms. Liu Xiao Lan (retired on 31 March 2014)

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Audit Committee

Mr. Ngai Wai Fung (Chairman)
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Remuneration Committee

Mr. Mei Jian Ping (Chairman)
Mr. Hoi Wa Fong
Ms. Nie Mei Sheng

Nomination Committee

Mr. Hoi Kin Hong (Chairman)
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Company Secretary

Ms. Xiao Ying Lin

Authorized Representatives

Mr. Hoi Wa Fong
Ms. Xiao Ying Lin

Registered Office

P.O. Box 309
Ugland House, Grand Cayman KY1-1104
Cayman Islands

Place of Business in Hong Kong

Unit 5813, 58th Floor
The Center
99 Queen's Road Central
Hong Kong

Principal Place of Business in the PRC

12th–15th Floor
Gubei International Wealth Center
1452 Hongqiao Road
Changning District
Shanghai
PRC
Postal Code: 200336

Principal Share Registrar

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

Hong Kong Share Registrar

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

Principal Bankers

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Co., Ltd.
Industrial Bank Co., Ltd.
The Bank of East Asia
China CITIC Bank Corporation Limited
China Merchants Bank Co., Ltd.
China Construction Bank Corporation
The Hong Kong and Shanghai Banking Corporation Limited

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Hong Kong Legal Advisor

Sidley Austin

Website

www.powerlong.com

Milestones and Awards

JAN

- Successful issuance of US$250 million 5-year senior notes
- Successful acquisition of a commercial land parcel in Shanghai Fengxian

MAY

- Successful issuance of RMB800 million 3-year senior notes
- Successful bid for a commercial land parcel in Shanghai Jiading
- Successful bid for a commercial and residential land parcel in Yantai Penglai
- Successful acquisition of a commercial and residential land parcel in Sanlihe, Jiaozhou, Shandong
- Successful acquisition of a commercial and residential land parcel in Shaohai, Jiaozhou, Shandong

APR

- Complete launch of asset management platform to optimize commercial asset quality, enhance capital return and strengthen the core competitiveness of the Company

JUL

- Successful bid for a commercial land parcel in Huai'an

AUG

- Successful bid for a commercial land parcel in Lakeside Reservoir of Xiamen
- Successful bid for a commercial and residential land parcel in Fuyang, Hangzhou

SEP

- Successful bid for a commercial land parcel in Binjiang, Hangzhou

NOV

- Launch of Powerlong E-commerce Platform

OCT

- Successful bid for a commercial land parcel in Xiaoshan, Hangzhou

DEC

- Opening of Shanghai Caolu Powerlong City Plaza
- Opening of Jinjiang Powerlong City Plaza
- Opening of Aloft Yancheng Hotel
- Successful tender for a commercial and office land parcel in Qibao, Shanghai

Milestones and Awards

Corporate Awards

Development Research Center of the State Council Enterprise Research Institute, Qinghua University Institute of Real Estate Studies, China Index Academy (China Real Estate Top 10 Research Team)

- 2013 Top 100 China Real Estate Companies: Top 100 China Real Estate Companies for 8 consecutive years (2006–2013)
- 2013 Top 10 Hong Kong Listed China Mainland Real Estate Companies in Comprehensive Strength
- 2013 Top 10 Hong Kong Listed China Mainland Real Estate Companies in terms of Finance Stability Ranking
- 2013 China Top 30 Commercial Real Estate Companies
- 2013 China Outstanding Commercial Real Estate Company
- 2012–2013 Annual Social Responsibility Enterprise of China Real Estate
- 2013 Top 100 China Real Estate Companies
- 2013 Top 100 Real Estate Companies – Star of Top 100
- 2013 Top 10 Brands of China Commercial Real Estate Companies
- Powerlong City Plazas: 2013 Top 10 Brands of China Commercial Real Estate Projects

China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

- 2013 Top 50 Brands of China Real Estate Development Companies
- 2013 Top 100 China Real Estate Listed Companies: 2013 Top 50 China Real Estate Listed Companies in Comprehensive Strength
- 2013 Top 10 Brands of China Commercial Real Estate Companies
- 2013 Top 30 Employers of Real Estate Companies

Project Awards

Shanghai Hongqiao Powerlong City

- 2013 The Most Innovative and Popular Real Estate Project (awarded by 2013 E-House China Innovation Summit)
- 2013 Shanghai Real Estate of Concern on the Internet (awarded by "Dream Infinity (夢無限) • 2013–2014 China (Shanghai) Real Estate Internet Annual Summit" organized by www.soufun.com and 2013 The Tenth China (Shanghai) Real Estate Internet Popularity Ranking List)
- 2013 Outstanding Real Estate Project (awarded by The Third China Business News|First Real Estate (第一財經｜第一地產) Quality Public Election organized by China Business News|First Real Estate (第一財經｜第一地產), CPT Media and Sonnet Business)

▲ 2013 Top 10 Hong Kong Listed China Mainland Real Estate Company in Comprehensive Strength

▲ 2013 Top 10 Brands of China Commercial Real Estate Companies

Shanghai Caolu Powerlong City Plaza

- 2013 The Most Innovative and Popular Real Estate Project (awarded by 2013 E-House China Innovation Summit)

- 2013–2014 Internet Potential Real Estate Project (awarded by www.soufun.com)

- 2013 Shanghai the Most Anticipating Real Estate Project (awarded by The Ninth China Real Estate Internet Popularity Ranking List" which was hosted by www.soufun.com, organized by China Index Academy and branch sites of www.soufun.com in 314 cities in China and co-organized by nearly 100 media organizations in China)

▼ 2013 Top 30 Employers of Real Estate Companies

▲ 2013 Top 10 Hong Kong Listed China Mainland Real Estate Companies in terms of Finance Stability Ranking

Personal Award Gained by Mr. Hoi Kin Hong

2013 China Top 100 Real Estate Entrepreneurs (awarded by China Real Estate Top 10 Research Team)

2013 China Real Estate Brand Contribution Figure (awarded by China Real Estate Top 10 Research Team)

Personal Awards Gained by Mr. Hoi Wa Fong

CIHAF2013 China Real Estate Emerging Influential Man (awarded by China International Real Estate and Architectural Technology Fair)

Three Fame Award (celebrities, distinguished enterprises, outstanding projects) (awarded by China International Real Estate and Architectural Technology Fair)

An Emerging Leading Man of China Economy (awarded by "2012 China Economy Summit and the Tenth China Economic Figures Award Ceremony" which was jointly organized by Economic Journal China Economic Information Publishing and China Economic Information & Agency)

China Real Estate Influential Figure of the Year (awarded by "China International Fair for Investment and Trade" organized by Ministry of Commerce China Investment Promotion Agency, Fujian Provincial People's Government and Xiamen Municipal People's Government on 8 September)

▼ 2013 Top 100 China Real Estate Companies: Top 100 China Real Estate Companies for 8 consecutive years (2006–2013)

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Powerlong Real Estate Holdings Limited, I am pleased to present to all shareholders the annual results of the Group for the year ended 31 December 2013. I would like to take this opportunity to express my sincere gratitude to our shareholders for your continuous support and trust to the Group.

Looking back to 2013, the Chinese economy managed to achieve a "soft landing" with a GDP growth of 7.7%. The overall economy remained stable and the economic growth made progress through stability, further eliminating the anticipation of an economic downturn. The Third Plenary Session of the Eighteenth Communist Party of China Central Committee has made plans for comprehensively deepening reformation and clearly stated the intention to facilitate stable and healthy development of the real estate market. For the real estate industry, higher development quality should be pursued and development stability should be maintained from now on. In 2013, both the sales area and amount of commodity properties in China reached a record high, primarily attributable to the stable national economic growth and increase in fiscal income of the government. The real estate market of over 600 cities across the nation was generally stable. Investment in real estate development also achieved growth through stability. On the basis of the consistent long-term operation principle of "Sound Operations, Strive for Excellence", the Group better implemented the operation principle of "Enhancing Efficiency, Establishing Brand Name, Team Building" and was able to strengthen its business dynamics and promote growth in results in such a market with intense competition and rapidly increased concentration.

Record-High Contracted Sales

During the year under review, by following the changes of the market and adjusting development schedule, the Group achieved a contracted sales of approximately RMB9,373 million, which increased by 43.8% as compared with the previous year. 117% of sales target for the year was completed and contracted sales reached the Group's record high. Benefited from the enthusiastic market response to the opening sales of projects in Tianjin Yujiapu, Shanghai Hongqiao, Jinjiang, Luoyang and Shanghai Caolu, the Group exceeded its contracted sales target. Among which, with its sales area of 29,605 square meters and transaction amount of RMB809 million, Shanghai Caolu Powerlong City Plaza, which is the Group's first commercial real estate project in Shanghai, ranked "the second in terms of sales area among commercial office projects in Pudong, Shanghai for the year 2013" and "the third in terms of transaction amount among commercial office projects in Pudong, Shanghai for the year 2013". The above success in various projects evidences the Group's continuous innovation and its effectiveness and feasibility in adopting different product development strategies in different cities.

Business Operation of Higher Standard

The Group marked its tenth anniversary since entering into the commercial real estate industry in 2013. Powerlong City Plazas, which are operated by the Group, have been awarded second of the top 10 in terms of brand value among Chinese commercial real estate projects for 4 consecutive years. The Group has also been honoured as second of the top 10 Chinese commercial real estate companies for 3 consecutive years. Following the grand opening of Shanghai Caolu Powerlong City Plaza and Fujian Jinjiang Powerlong City Plaza, the number of shopping malls operated by the Group has reached 15, making us stand out in terms of the quantity of projects and area and steadily promoted in our business operation standard. During the year under review, the Group recorded rental income and property management services income of approximately RMB701 million, representing an increase of 38% over last year, established a solid foundation for the Group's long-term sustainable growth.

Shanghai Caolu Powerlong City Plaza located in the proximity of the China (Shanghai) Pilot Free Trade Zone and Jinjiang Powerlong City Plaza, which is the Group's third large-scale integrated commercial real estate project in Fujian, witnessed their grand opening in December. The occupancy rate of the two projects exceeded 95% and the respective shopper traffic exceeded 150,000 on the opening day. Shanghai Caolu Powerlong City Plaza is the first community-oriented city plaza of the Group and has a significant symbolic meaning while Jinjiang Powerlong City Plaza cooperated with various renowned international brands, thus making the project the Group's most fashionable and exquisite city plaza.

The Group has been attempting to create a brand-new business model of "community e-commerce" from the beginning of the year. On 24 November, the e-commerce platform "Powerlong Plazas Online" (www.ipowerlong.com) was officially launched in Fuzhou Powerlong City Plaza. It is the first integrated e-commerce platform duly operated in the commercial real estate industry.

Atrium of Wuxi Wangzhuang Powerlong City Plaza

Opening of Shanghai Caolu Powerlong City Plaza

Chairman's Statement

Significant Achievements of Regional Focus Development Strategy

The Group intensively implemented the land bank strategy of "focus on core regions" based on the general strategy of "intensive development in Shanghai and focus on Yangtze River Delta, Shandong and Fujian regions". The Group acquired a number of quality land parcels in Shanghai, Zhejiang, Jiangsu, Fujian and Shandong to further strengthen its land bank during the year. With the further strengthening of land bank in Shanghai, its position in Yangtze River Delta is also improved. Meanwhile, the Group will continue to uphold its low land cost strategy in acquiring quality land strictly and prudently in order to reasonably proportionate high-end projects and standard projects. During the year under review, the Group acquired 11 parcels of land in aggregate, with 3 parcels of land in Shanghai, 1 parcel of land in Jiangsu Province, 3 parcels of land in Zhejiang Province, 3 parcels of land in Shandong Province and 1 parcel of land in Fujian Province. In particular, the acquisition of three landmark projects in Shanghai Qibao, Xiamen Lakeside Reservoir and Hangzhou Binjiang has laid a solid foundation for the establishment of a benchmark city complex. For the year ended 31 December 2013, the total gross floor area ("GFA") of the Group's land bank was 11.0 million square meters (including operated investment properties with total GFA of approximately 1.5 million square meters) which is sufficient for the Group's development for the next 3 to 5 years. From the perspective of the geographical location of the Group's land bank, the current land bank located in first- and second-tier cities represents 74% of the Group's land bank for development. Therefore, we are confident that the Group's long-term development can continuously be driven by its quality land resources. In December, the Group successfully bid the quality land parcel in Minhang Qibao Ecology Business District (as the "Qibao Project" hereinafter). Qibao Project will not only be constructed as a flagship project of a brand-new mode of commercial products in Shanghai region but will also be the location of the Group's future headquarters.

Enhancement of Overall Quality and Establishment of Brand

The Group has been dedicated to implementing its strategy of refined products, continuously undergoing product research and development as well as technological innovation. The Group has introduced global top-class designer firms to achieve design quality improvement. For instance, the proposal for Qibao Project in Shanghai attained full mark at bid evaluation; the proposal for Binjiang Project in Hangzhou was highly evaluated by the government and acquired one-off approval from the relevant planning authority. On the other hand, the Group continuously reforms the types of residential properties and shops, optimizes product functions, expands area in use, promotes customer experience in order to satisfy the market demand with higher end and more fashionable products and enhance construction quality management. The Group also intensively implemented template guidance system and quality accountability system and emphasized on building up image projects such as views, external elevations and three points on line. The projects' influence on the society was significantly promoted. For instance, the external elevations and views of projects in Penglai, Jinjiang and Luoyang become local quality landmarks. These were able to facilitate project sales and enhance brand influence.

Fuzhou Powerlong City Plaza

Suqian Powerlong City Plaza

Outlook

The policies regarding real estate in the report of the Third Plenary Session of the Eighteenth Communist Party of China Central Committee were shifted to in-depth issues of the industry. With a series of initiatives to be launched, the acceleration of proposed formulation or improvement of these systems will be beneficial for stabilizing market expectations and facilitating market development in the long run. In 2014, the Group recognized the operation principle of "Seizing opportunities, Producing refined products, Releasing vibrancy and Realizing improvement". We will also further enhance our integrated operation capability, strengthen our core business competitive edge, establish an elite team, continuously improve operation efficiency, and maintain and promote our status in the industry so as to strive for the best and long-term return for our shareholders. Such initiatives included:

Promotion of Intensive City Development and Construction of Refined Projects

By seizing the market opportunities in the process of new urbanization, the Group will continue its strategy by insisting on the objective of "intensive development in Shanghai and focus on Yangtze River Delta, Shandong and Fujian regions". We should seize the opportunities of "decentralization" in large cities, in particular, to construct city complex on metro station. Meanwhile, the coordinated development between standard projects and refined projects is also an important issue. The standard projects focus on speedy implementation to achieve scale and healthy cash flow effect; while the refined projects focus on project quality to enhance brand value.

Qibao Project in Shanghai, Lakeside Reservoir Project in Xiamen and Binjiang Project in Hangzhou are the key projects of the Group. We aim not only at setting the standard internally, but also at setting the standard for the industry and central landmark commercial complex in these cities.

Enhancement of Efficiency in Execution and Regulation of Management

The Group will strengthen its integrated plan management. With the operation centre as the main stream, we will establish a coordination and supervision system maximizing its comprehensiveness and intensiveness. In addition, the Group will leverage the guidance purpose of development outline in order to drive effective project execution. Moreover, the Group will put more emphasis on the research of product standards and further optimize standard properties. We will strictly execute post-project assessments and follow up the implementation of assessment results. Besides, the Group will optimize tendering system by adopting strategic co-operation during the first stage of a project tender. We will regulate sales activities by establishing full-process planning and annual planning systems and prepare standard practices for planning and sales so as to promote in-field execution ability.

System Improvement for Innovation and Strengthening of Core Business Competitive Edge

The Group will continue to open 3 to 5 shopping malls in 2014. At the same time, we will also strengthen our brand selection and management ability to strive for co-operation with a series of international first- and second-tier and fashion brands. Also, we will scientifically combine types of business and brands to facilitate collective improvement and development of different brands and types of business. We will continue to explore the advantages of shopping malls in operation so as to promote the operation quality of existing projects.

E-commerce will be completely utilized in business operation. In 2014, "Powerlong Plazas Online" will continue to be launched in the 4 to 6 city plazas operated by the Group. By integrating big data analysis and experimenting on the feasibility of online-offline combination, we made e-commerce as one of the core business competitive edges of Powerlong which created a broader room for future business operation development.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the Group's investors, business partners and customers for their continuous support and trust. At the same time, I would also like to take this opportunity to thank my fellow members of the Board for their work of high performance, contributions and dedication of our staff.

Hoi Kin Hong
Chairman

8 April 2014

Overview of Business

Total GFA of approximately

17.1

million sq.m.

Overview

Property Development

As at 31 December 2013, the Group had 41 projects which are at different phases of development. The Group currently has 11 fully completed projects, among which 3 of them are located in Jiangsu Province, 3 in Fujian Province, 3 in Shandong Province, 1 in Henan Province and 1 in Anhui Province. The Group has 30 projects under development or held for future development, among which 5 are located in Shanghai Municipality, 5 in Jiangsu Province, 4 in Zhejiang Province, 5 in Fujian Province, 5 in Shandong Province, 3 in Tianjin Municipality, 2 in Henan Province and 1 in Chongqing Municipality.

Property Investment

As at 31 December 2013, the Group held and operated completed investment properties, mainly shopping malls, with a total GFA of approximately 1.5 million square meters. These properties are mainly located at Shanghai Municipality, Wuxi, Suqian and Yancheng in Jiangsu Province, Fuzhou, Jinjiang and Anxi in Fujian Province, Tai'an, Qingdao Chengyang, Jimo and Licang in Shandong Province, Zhengzhou, Luoyang and Xinxiang in Henan Province, and Bengbu in Anhui Province.

Property Management

The Company provides after-sales property management services to the households of each project developed by the Group through its wholly-owned property management subsidiaries. Such services include maintenance of public utilities, cleaning of public area, gardening and landscaping, and other customer services.

Hotel Development

The Group continued to develop its hotel business as a long-term recurring income stream. After the grand opening of Aloft Yancheng Hotel in December 2013, by the end of 2013, the Group had a total of 6 hotels in operation. 5 hotels have engaged Starwood Hotels and Resorts Group as the hotel operator, and 1 hotel uses the brand of Days Inn.

Banquet Hall of Four Points by Sheraton Tai'an

Aloft Haiyang in Yancheng

Overview of Business

As at 31 December 2013, the development status of the property projects of the Group was as follows:

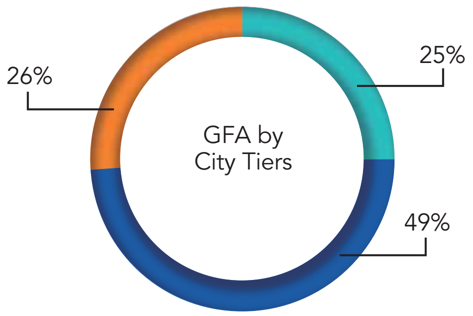
GFA (as at 31 December 2013)

Province	Project	Total GFA ('000 sq. m.)	Properties completed ('000 sq. m.)	Properties under development ('000 sq. m.)	Properties held for future development ('000 sq. m.)
Shanghai municipality	Shanghai Caolu Powerlong City Plaza	170	102	68	–
	Shanghai Fengxian Powerlong City Plaza	180	–	180	–
	Shanghai Hongqiao Powerlong City	300	–	300	–
	Shanghai Jiading Powerlong City Plaza	199	–	–	199
	Shanghai Qibao Powerlong City Plaza	395	–	–	395
Sub-total		1,244	102	548	594
Jiangsu Province	Changzhou Powerlong City Plaza	1,052	239	393	420
	Huai'an Powerlong City Plaza	153	–	59	94
	Zhenjiang Powerlong City Plaza	363	27	293	43
	Suzhou Taicang Powerlong City Plaza	287	265	–	22
	Wuxi Powerlong City Plaza	287	287	–	–
	Wuxi Yuqi Powerlong Riverside Garden	343	224	106	13
	Suqian Powerlong City Plaza	486	486	–	–
	Yancheng Powerlong City Plaza	495	495	–	–
Sub-total		3,466	2,023	851	592
Zhejiang Province	Hangzhou Fuyan Powerlong City Plaza	344	–	–	344
	Hangzhou Powerlong City Plaza	358	29	329	–
	Hangzhou Binjiang International Center	414	–	–	414
	Hangzhou Xiaoshan Powerlong City Plaza	226	–	–	226
Sub-total		1,342	29	329	984
Fujian Province	Quanzhou Anxi Powerlong City Plaza	332	291	41	–
	Fuzhou Powerlong City Plaza	218	218	–	–
	Jinjiang Powerlong City Plaza	818	395	210	213
	Quanzhou Anhai Powerlong Haoyuan	54	54	–	–
	Quanzhou Jinjiang Powerlong Golden Jiayuan	144	144	–	–
	Xiamen Powerlong Lakeside Reservoir Project	419	–	–	419
	Zhangzhou Yunxiao Powerlong Project	113	–	113	–
	Xiamen Powerlong Lakeside Mansions	78	45	33	–
Sub-total		2,176	1,147	397	632
Shangdong Province	Qingdao Jimo Powerlong City Plaza	621	537	84	–
	Jiaozhou Powerlong City Plaza	337	–	337	–
	Jiaozhou Powerlong City	116	–	–	116
	Qingdao Chengyang Powerlong City Plaza	707	707	–	–
	Qingdao Licang Powerlong City Plaza	369	369	–	–
	Tai'an Powerlong City Plaza	284	284	–	–
	Yantai Haiyang Powerlong City	878	114	25	739
	Yantai Penglai Powerlong Marine Immortal Street	311	–	104	207
Sub-total		3,623	2,011	550	1,062
Tianjin municipality	Tianjin North Green Area	110	–	–	110
	Tianjin Powerlong City	705	–	112	593
	Tianjin Yujiapu Powerlong International Center	376	–	376	–
Sub-total		1,191	–	488	703

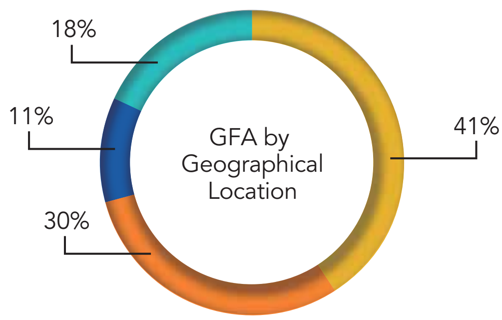
Province	Project	Total GFA ('000 sq. m.)	Properties completed ('000 sq. m.)	Properties under development ('000 sq. m.)	Properties held for future development ('000 sq. m.)
Henan Province	Luoyang Powerlong City Plaza	1,379	881	220	278
	Xinxiang Powerlong City Plaza	1,289	444	330	515
	Zhengzhou Powerlong City Plaza	252	252	–	–
Sub-total		2,920	1,577	550	793
Chongqing municipality	Chongqing Hechuan Powerlong City Plaza	643	229	403	11
Sub-total		643	229	403	11
Anhui Province	Bengbu Powerlong City Plaza	499	499	–	–
Sub-total		499	499	–	–
Total		17,104	7,617	4,116	5,371

Note: GFA is subject to change with planning adjustment. Final survey results shall prevail.

Area of Land Bank for Development (as at 31 December 2013) Note



City Tiers	GFA '000 square meters
First-Tier City	2,332 (25%)
Second-Tier City	4,660 (49%)
Third/Fourth-Tier City	2,495 (26%)
Total	**9,487**



Geographical Location	GFA '000 square meters
Yangtze River Delta	3,898 (41%)
Bohai Rim	2,803 (30%)
West Strait Economic Zone	1,029 (11%)
Central and Western Region	1,757 (18%)
Total	**9,487**

Note: In addition to the properties under development, we owned shopping malls in operation of 1.5 million square meters, which adds up to a total GFA of land bank of 11.0 million squares meters.

Overview of Business

Shopping Malls in Operation

SHANGHAI

SHANGHAI CAOLU POWERLONG CITY PLAZA

SHANGHAI CAOLU POWERLONG CITY PLAZA

Opening Date:
December 2013

Area:
Approximately 51,000 square meters Note

JIANGSU PROVINCE

YANCHENG POWERLONG CITY PLAZA

Opening Date:
September 2011

Area:
Approximately 135,000 square meters Note

WUXI POWERLONG CITY PLAZA

Opening Date:
October 2010

Area:
Approximately 143,000 square meters Note

SUQIAN POWERLONG CITY PLAZA

Opening Date:
September 2011

Area:
Approximately 121,000 square meters Note

SUQIAN POWERLONG CITY PLAZA

Note: Underground parking spaces excluded.

JINJIANG POWERLONG CITY PLAZA

Opening Date:
December 2013

Area:
Approximately 99,000 square meters Note

JINJIANG POWERLONG CITY PLAZA

FUJIAN PROVINCE

FUZHOU POWERLONG CITY PLAZA

Opening Date:
April 2007

Area:
Approximately 144,000 square meters Note

QUANZHOU ANXI POWERLONG CITY PLAZA

Opening Date:
December 2011

Area:
Approximately 55,000 square meters Note

XINXIANG POWERLONG CITY PLAZA

Opening Date:
September 2012

Area:
Approximately 90,000 square meters Note

HENAN PROVINCE

ZHENGZHOU POWERLONG CITY PLAZA

Opening Date:
December 2009

Area:
Approximately 198,000 square meters Note

LUOYANG POWERLONG CITY PLAZA

Opening Date:
December 2011

Area:
Approximately 131,000 square meters Note

XINXIANG POWERLONG CITY PLAZA

Note: Underground parking spaces excluded.

Overview of Business

SHANDONG PROVINCE

QINGDAO JIMO POWERLONG CITY PLAZA

QINGDAO JIMO POWERLONG CITY PLAZA

Opening Date:
December 2011

Area:
Approximately 122,000 square meters Note

QINGDAO CHENGYANG POWERLONG CITY PLAZA

Opening Date:
October 2009

Area:
Approximately 299,000 square meters Note

QINGDAO LICANG POWERLONG CITY PLAZA

Opening Date:
December 2011

Area:
Approximately 112,000 square meters Note

TAI'AN POWERLONG CITY PLAZA

Re-opening Date:
September 2012

Area:
Approximately 63,000 square meters Note

BENGBU POWERLONG CITY PLAZA

Opening Date:
December 2009

Area:
Approximately 230,000 square meters Note

ANHUI PROVINCE

BENGBU POWERLONG CITY PLAZA

Note: Underground parking spaces excluded.

Hotels in Operation

JIANGSU PROVINCE

ALOFT YANCHENG HOTEL

Opening Date:
December 2013

Number of Rooms (Suites):
299

Address:
No.99 South Yingbin Road,
Tinghu District, Yancheng
China

FOUR POINTS BY SHERATON TAICANG, SUZHOU

Opening Date:
July 2010

Number of Rooms (Suites):
446

Address:
No.288 East Shanghai Road,
Taicang, Suzhou,
Jiangsu Province,
China

SHANDONG PROVINCE

DAYS INN POWERLONG QINGDAO

Opening Date:
January 2012

Number of Rooms (Suites):
170

Address:
No.689 Qingshan Road,
Licang District,
Qingdao,
Shandong Province,
China

ALOFT HAIYANG

Opening Date:
July 2011

Number of Rooms (Suites):
145

Address:
Powerlong Town,
Middle Haibin Road,
Haiyang,
Shandong Province,
China

FOUR POINTS BY SHERATON QINGDAO

Opening Date:
February 2011

Number of Rooms (Suites):
303

Address:
No.271 Wenyang Road,
Chengyang District, Qingdao,
Shandong Province,
China

FOUR POINTS BY SHERATON TAI'AN

Opening Date:
December 2010

Number of Rooms (Suites):
300

Address:
No.888 East Huanshan Road,
Taishan District, Tai'an,
Shandong Province,
China

Management Discussion and Analysis

Business Review

For the year ended 31 December 2013, the Group conducted its business activities in the following major business segments, namely (i) property development, (ii) property investment, (iii) property management services, and (iv) other property development related services. During the year under review, property development remained the key revenue driver of the Group.

Property Development

As at 31 December 2013, the contracted sales of the Group reached approximately RMB9,373 million (2012: RMB6,519 million), representing an increase of approximately 43.8% as compared with the corresponding period in 2012. For the year 2013, the contracted sales area of the Company amounted to approximately 988,384 square meters (2012: 843,383 square meters), representing a year-on-year increase of approximately 17.2% over 2012.

During the year under review, the key contributing projects located in Tianjin, Shanghai, Jinjiang, Xiamen, Luoyang, Jimo, Hechuan and Xinxiang etc..

Set forth below is the distribution of contracted sales during the year under review:

	FY 2013		
Distribution	**Sales area** sq.m.	**Sales amount** RMB'000	**Average selling price** RMB/sq.m.
Commercial	330,076	4,293,759	13,008
Residential	658,308	5,079,333	7,716
Total	988,384	9,373,092	9,483

Yancheng Powerlong City Plaza

Interior View of Jinjiang Powerlong City Plaza

Lounge Bar of Sheraton Qingdao

Management Discussion and Analysis

Investment Properties and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties, mainly shopping malls, for leasing. As at 31 December 2013, the Group had an aggregate GFA of approximately 1,790,566 square meters (2012: 1,678,511 square meters) held as investment properties, which increased by approximately 6.7% as compared with the areas in 2012.

Currently, the Group adopts a precise positioning and focusing approach for the malls developed by the Group and typically based on the location and targeted customers to satisfy the needs of various consumers. The projects can be divided into three types, namely, community commercial complex, regional commercial complex and urban commercial complex. Community commercial complex, located at the first- and second-tier satellite cities, is positioned as an ancillary centre for community life and targeting at residents of the community. Regional commercial complex, located at regional commercial circles or new town centre in the second- and third-tier cities, is positioned as a fashionable shopping mall and targeting at young and trendy consumers in the region. Urban commercial complex, located at the core commercial circle in the third- and fourth-tier cities, is positioned as a one-stop centre for living, entertainment and shopping and targeting at people from all walks of life.

During the year under review, Shanghai Caolu Powerlong City Plaza and Jinjiang Powerlong City Plaza in Fujian commenced operation in December and the respective occupancy rates exceeded 95%. Jinjiang project had its first cooperation with international brands to become the Group's most fashionable project targeting at the highest end of the market so far. Customer flow volume of these two projects exceeded 150,000 on their respective opening dates. Shanghai Caolu Powerlong City Plaza is the first community commercial complex of the Group.

During the year under review, the Group achieved the following improvements in terms of commercial operation and property management:

1. Operation was improved steadily. Projects such as Suqian Powerlong City Plaza, Xinxiang Powerlong City Plaza, Luoyang Powerlong City Plaza, Anxi Powerlong City Plaza have become well-known commercial centres in the region.

Qingdao Licang Powerlong City Plaza

Yancheng Powerlong City Plaza

2. Innovative capability was further enhanced. The Group has created a brand-new commercial model of "community e-commerce" – "Powerlong Plazas Online" (www.ipowerlong.com). "Powerlong Plazas Online" was launched for Fuzhou Powerlong City Plaza and Jinjiang Powerlong City Plaza successively. With the shopping malls held by the Group as its centre, "Powerlong Plazas Online" draws a region with a radius of about six kilometers and an area of more than 100 square kilometers (hereinafter "the coverage area"), which is the target service area of offline malls and online e-commerce platform. "Powerlong Plazas Online" also provides rapid logistics delivery service, by which the fastest home delivery service could be done in 30 minutes within the serviced area. Consumers may enjoy online shopping experience and rapid logistics delivery service. Consumers at the Powerlong City Plaza may also use free WIFI service. The e-commerce platform will focus on catering the preferences and demand of tens of thousands of consumers within the coverage area by positioning accurately and conducting massive data analysis in order to push a variety of consumption contents available in the shopping malls and provide quality and customized services. The platform is to create an online community and a virtual consumption system. "Powerlong Plazas Online" is the first cross-platform that realized the online-to-offline integration. It opens up physical and electronic commerce as well as a broader space for the future development of business operation.

3. Asset management was optimized gradually. By drawing on international experience, it has built a platform for asset management and realized preservation and appreciation of assets held through asset planning and overseeing leasing processes and operation to enhance commercial operating capability.

4. Property services such as those at sales office and image of security guards were enhanced considerably. It has established a head office for residential properties to raise residential properties to a strategic height. Commercial properties of Tai'an Powerlong were awarded Qualification Certificate for Property Management Enterprise in the PRC (First Class) by the Ministry of Housing and Urban-Rural Development of the PRC.

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. In December 2013, Aloft Yancheng Hotel, under the management of Starwood Asia Pacific Hotels & Resorts, commenced operation. As at 31 December 2013, the Group operated three star-rated hotels and three mid-end hotels, namely, Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Aloft Haiyang, Days Inn Powerlong Qingdao and Aloft Yancheng Hotel.

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three to five years. The Group positioned Shanghai as a core development region, while actively seeking opportunities for land acquisition in Jiangsu, Zhejiang, Fujian and Shandong.

As at 31 December 2013, the Group had a quality land bank with total GFA of approximately 11.0 million square meters, of which approximately 4.1 million square meters were properties under development, approximately 5.4 million square meters were properties held for future development and approximately 1.5 million square meters were malls in operation. The land bank for development will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts and other leisure facilities, quality residential properties, furnished apartments and hotels.

Management Discussion and Analysis

During the year under review, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank in 2013:

Name of project	Usage	Site area '000 sq.m.	Total GFA* '000 sq.m.	Land premium RMB million
Shanghai Qibao Powerlong City Plaza	Commercial and office	84	395	1,791
Shanghai Fengxian Powerlong City Plaza	Commercial	41	180	460
Shanghai Jiading Powerlong City Plaza	Commercial	41	199	271
Huai'an Powerlong City Plaza	Commercial	107	153	216
Hangzhou Binjiang International Center	Commercial	77	414	1,785
Hangzhou Xiaoshan Powerlong City Plaza	Commercial	46	226	421
Hangzhou Fuyang Powerlong City Plaza	Commercial, residential	59	344	450
Yantai Penglai Powerlong Marine Immortal Street	Commercial, residential	61	112	182
Jiaozhou Powerlong City Plaza	Commercial, residential	79	337	139
Jiaozhou Powerlong City	Commercial, residential	128	116	129
Xiamen Powerlong Lakeside Reservoir Project	Commercial	74	419	685
Total		797	2,895	6,529

* Total GFA includes underground car parking spaces

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises property sales, rental income from investment properties, income from property management services and other income from property development related services. As at 31 December 2013, the Group recorded a total revenue of RMB7,257 million (2012: RMB5,872 million), representing an increase of approximately 23.6% when compared to 2012. This was mainly attributable to increase in property sales, rental income from investment properties and income from property management services.

Property Sales

During the year under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. The revenue from projects sold and delivered for the year ended 31 December 2013 amounted to approximately RMB6,244 million (2012: RMB4,976 million), representing an increase of approximately 25.5% when compared with the corresponding period in 2012. This was mainly attributable to increase in unit price of sales of properties.

Set forth below are the details regarding the properties sold and delivered during the year under review:

			FY 2013	
		GFA sold & delivered sq.m.	Amount sold & delivered RMB'000	Average selling price RMB/sq.m.
Suzhou Taicang Powerlong	Commercial	5,763	37,794	6,558
City Plaza	Residential	27,877	188,933	6,777
Tai'an Powerlong City Plaza	Commercial	1,834	17,419	9,498
	Residential	513	7,200	14,022
Bengbu Powerlong City Plaza	Commercial	279	3,056	10,965
	Residential	1,929	401	208
Luoyang Powerlong City Plaza	Commercial	9,258	119,265	12,882
	Residential	115,919	598,039	5,159
Qingdao Chengyang Powerlong City Plaza	Residential	38	231	6,082
Wuxi Powerlong City Plaza	Commercial	1,042	5,996	5,757
Wuxi Yuqi Powerlong	Commercial	1,149	4,193	3,651
Riverside Garden	Residential	11,070	47,585	4,298
Suqian Powerlong City Plaza	Commercial	27,599	140,404	5,087
	Residential	62,777	321,596	5,123
Qingdao Licang Powerlong	Commercial	487	4,937	10,144
City Plaza	Residential	800	4,299	5,370
Yantai Haiyang Powerlong City	Commercial	667	4,729	7,091
	Residential	885	11,871	13,417
Xinxiang Powerlong City Plaza	Commercial	7,083	87,986	12,423
	Residential	47,498	194,225	4,089
Yancheng Powerlong City Plaza	Commercial	867	7,605	8,776
	Residential	298	1,934	6,484
Changzhou Powerlong City Plaza	Commercial	789	12,965	16,437
	Residential	5,969	34,042	5,703
Qingdao Jimo Powerlong	Commercial	11,061	131,978	11,932
City Plaza	Residential	102,054	492,924	4,830

Management Discussion and Analysis

		FY 2013 GFA sold & delivered sq.m.	FY 2013 Amount sold & delivered RMB'000	FY 2013 Average selling price RMB/sq.m.
Quanzhou Anxi Powerlong	Commercial	6,788	65,965	9,718
City Plaza	Residential	15,568	73,055	4,693
Chongqing Hechuan	Commercial	14,802	211,172	14,267
Powerlong City Plaza	Residential	126,000	533,069	4,231
Xiamen Powerlong	Commercial	293	11,000	37,536
Lakeside Mansions	Residential	27,312	542,613	19,867
Jinjiang Powerlong City Plaza	Commercial	12,290	262,565	21,365
	Residential	164,979	1,037,151	6,287
Hangzhou Powerlong City Plaza	Commercial	1,248	33,874	27,138
	Residential	26,207	313,839	11,975
Shanghai Caolu Powerlong City Plaza	Commercial	22,785	601,461	26,398
Zhenjiang Powerlong City Plaza	Commercial	6,129	76,493	12,480
Total		869,905	6,243,864	7,178
	Commercial	132,210	1,840,858	13,924
	Residential	737,694	4,403,006	5,969

Rental Income from Investment Properties and Income from Property Management Services

For the year ended 31 December 2013, the Group recorded a rental income from investment properties of approximately RMB349 million (2012: RMB321 million), representing an increase of approximately 8.7% when compared to the amount in 2012.

For the year ended 31 December 2013, the income of property management services fee generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB352 million (2012: RMB187 million), representing an increase of approximately 88.2% as compared to the amount in 2012.

For the year ended 31 December 2013, the rental income and income from property management services amounted to RMB701 million (2012: RMB508 million), representing an increase of approximately 38.0% as compared to the amount in 2012. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, rental generated from malls operated by the Company increased as the continuous enhancement of quality in commercial operation, thereby attracting a number of new tenants.

Income from Other Property Development Related Services

Income from other property development related services mainly comprises income from hotel operation, income from department stores retail sales and revenue from amusement businesses, construction and decoration services. For the year ended 31 December 2013, the Group's other income amounted to RMB312 million (2012: RMB388 million), representing a decrease of 19.6% as compared to the amount in 2012. The reason was mainly due to the adjustment of operating model in certain department stores we operated. Among which, hotel income amounted to approximately RMB176 million (2012: RMB175 million), representing in increase of 0.6% as compared to the amount in 2012.

Cost of Sales

Cost of sales mainly represents the cost directly generated from the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. Cost of sales for the year ended 31 December 2013 increased by approximately 46.9% to approximately RMB5,202 million (2012: RMB3,540 million) as compared with 2012, which mainly due to increase in cost as a result of change in location of projects delivered.

Gross Profit and Margin

For the year ended 31 December 2013, gross profit slightly decreased to RMB2,055 million (2012: RMB2,332 million) as compared with 2012. Gross profit margin dropped from 39.7% in 2012 to 28.3% in 2013, mainly attributable to the decrease in the proportion of commercial property delivered with a higher gross profit and the increase in the selling price falling behind the increase in the cost of sales.

Fair Value Gains of Investment Properties

For the year ended 31 December 2013, the Group recorded revaluation gains of approximately RMB531 million (2012: RMB1,744 million), representing a decrease of 69.6% over the amount in 2012, primarily due to property values of the commercial plazas of the Group which commenced operations have gradually become stable.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2013 amounted to approximately RMB824 million (2012: RMB714 million), representing an increase of approximately 15.4% over 2012, which was mainly attributable to business expansion. However, the Group will still exercise stringent control over all expenses.

Share of Profit of Investments Accounted for Using the Equity Method

Share of post-tax profit of a jointly controlled entity amounted to RMB108 million, representing a decrease of approximately 19.4% as compared to RMB134 million in 2012. The decrease was mainly due to a decrease in fair value gains on investment properties of Tianjin Yujiapu Powerlong International Center.

Income Tax Expenses

Income tax expenses amounted to RMB663 million (2012: RMB1,197 million) for the year ended 31 December 2013, dropped by approximately 44.6% as compared with 2012, primarily due to a decrease in revaluation gains on property and equipment and land use rights transferred to investment properties during the year.

Profit Attributable to Owners of the Company

For the year ended 31 December 2013, the Group recorded a profit attributable to owners of the Company of RMB1,404 million (2012: RMB2,194 million), representing a decrease of 36.0% over 2012.

Basic earnings per share was RMB35 cents (2012: RMB55 cents), representing a decrease of approximately 36.4% over 2012. The decrease in the profit attributable to owners of the Company and basic earnings per share was mainly attributed to a decrease of fair value in investment properties during the current period.

Core profits (excluding the profit attributable to fair value gains on investment properties) for the year ended 31 December 2013 reached approximately RMB1,002 million (2012: RMB968 million), representing an increase of approximately 3.5% as compared with the amount in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issue of senior notes, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to RMB4,813 million in total as at 31 December 2013 (2012: RMB2,010 million). Cash and cash equivalents and restricted cash over current borrowings rose from 0.6 to 1.1 since 2012.

Borrowings

Total borrowings as at 31 December 2013 was RMB16,430 million. It comprises bank and other borrowings and borrowings under sale and lease back agreement of approximately RMB11,241 million and senior notes of approximately RMB5,189 million.

Out of the total borrowings, RMB4,575 million was repayable within one year, while approximately RMB11,855 million was repayable later than one year.

Two senior notes were issued during the period under review. On 25 January 2013, the Company issued senior notes denominated in US dollar at 98.608% discount in an aggregate amount of USD250,000,000, with a nominal interest rate of 11.25% per annum and maturity date of 25 January 2018. Further, the Company has an option to redeem the senior notes prior to the maturity date in accordance with underlying terms of the senior notes indenture. For further details on the issuance of these senior notes, please refer to the Company's announcement dated 21 January 2013. On 27 May 2013, the Company issued senior notes denominated in RMB in an aggregate amount of RMB800,000,000, with a nominal interest rate of 9.5% per annum and maturity date of 27 May 2016. Further, the Company has an option to redeem the senior notes prior to the maturity date in accordance with underlying terms of the senior notes indenture. For further details on the issuance of these senior notes, please refer to the Company's announcement dated 21 May 2013.

As at 31 December 2013, the Group had net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of 65.8% (31 December 2012: 54.8%).

Total interest charges for the year amounted to RMB1,396 million, representing an increase of approximately 22.7% as compared to RMB1,138 million in 2012. The increase was mainly due to increase in total loans. The effective interest rate decreased from 10.0% for 2012 to 9.0% for 2013, which was mainly due to the control over finance costs by the management.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements or lease agreements.

Pledge of Assets

As at 31 December 2013, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of RMB23,695 million to secure borrowings of the Group. The total secured borrowings as at 31 December 2013 amounted to RMB11,191 million.

Financial Guarantees

The face value of the financial guarantees issued by the Group is analysed as below:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**4,711,027**	3,723,131
Guarantees for borrowings of a joint venture	**993,880**	589,360
	5,704,907	4,312,491

Commitment

(1) Commitments for property development expenditures

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	**4,471,549**	2,291,304
– Acquisition of land use rights	**3,031,035**	407,211
	7,502,584	2,698,515

(2) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Not later than one year	**11,957**	11,227
Later than one year and not later than two years	**10,719**	11,227
Later than two years and not later than three years	**–**	10,719
	22,676	33,173

Material Acquisition and Disposal

For the year ended 31 December 2013, the Group did not have any material acquisition or disposal.

Employees and Emolument Policy

As at 31 December 2013, the Group employed a total of 5,979 full-time employees (2012: 5,087 employees). The total staff costs of the Group for the year under review was RMB472.0 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

Directors and Senior Management

Executive Directors

HOI Kin Hong, aged 62, is the Chairman of the Board. He is primarily responsible for the overall strategy and investment decisions of the Group. Mr. Hoi founded Powerlong Group Development Co., Ltd. (the "Powerlong Group") in 1992 and has served as its chairman. Since the establishment of Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. For each of the years since 2006, Mr. Hoi was recognized as a Contributor to Real Estate Brands in China by the China Real Estate Top 10 Research Team. Mr. Hoi is a member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. He is also the vice chairman of All-China Federation of Industry & Commerce. In addition, Mr. Hoi was also awarded various honours such as the Most Influential Entrepreneur in China, Top 30 People in motivating Chinese Economy over the 30 years of China's reformation and the Outstanding Leader in the Commercial Real Estate Industry in China. Mr. Hoi is the father of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan.

HOI Wa Fong, aged 36, is an executive Director and Chief Executive Officer of the Group. He is primarily responsible for the overall management of the business operations of the Group. Mr. Hoi graduated from the School of Management of Xiamen University and received an EMBA from the Cheung Kong Graduate School of Business. He joined Powerlong Group since 1999 and started his career from junior positions. He held various positions including vice general manager, general manager, vice president, president, chief vice president and chief executive officer. Mr. Hoi is a member of All-China Federation of Returned Overseas Chinese, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, a member of Chinese People's Political Consultative Conference for the city of Xiamen and vice chairman of Real Estate Chamber of Commerce of National Federation of Industry and Commerce. Mr. Hoi was awarded Top 10 New Leaders in the Real Estate Industry in the PRC, one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province, Most Influential People in the Real Estate Industry in the PRC for 2013, New Person of the Year in the Real Estate Industry in the PRC for 2013 from CIHAF and "Person of the Year in China Commercial Real Estate Value List 2013". Mr. Hoi is the son of Mr. Hoi Kin Hong.

XIAO Qing Ping, aged 65, is an executive Director and the Vice Chief Executive Officer of the Group. Mr. Xiao is primarily responsible for the administration management of the Group. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Powerlong Group Development Co., Ltd. in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Powerlong Group Development Co., Ltd. and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 33 is an executive Director. Ms. Shih is fully responsible for the commercial operation of the Group. Ms. Shih graduated from Central Queensland University in Australia with a master's degree in arts administration, and is currently attending an EMBA programme at the Cheung Kong Graduate School of Business. She joined Xiamen Powerlong Hotel in January 2003 as a director and was primarily responsible for financial management. She then joined Powerlong Group Development Co., Ltd. in 2005 as a director and chief financial officer. In November 2007, she held the positions of executive Director, general manager of supervision department and cost control centre. She has been fully directing the operation of commercial group since April 2011. Ms. Shih Sze Ni is the wife of Mr. Hoi Wa Fong.

GUO Jun, aged 52, is an executive Director and the Vice Chief Executive Officer of the Group. Mr. Guo is responsible for the operation management, development and construction, technology management, marketing management and decision-making and organization of the Company. He served as president of Zhejiang Construction Contractor Company (浙江省建設總承包公司), Sino Sourcing Group (中潤集團) and Zhongnan Property Development Group (中南房地產集團). He graduated from Jilin Architectural and Civil Engineering Institute with a bachelor degree in civil engineering and graduated from the University of Ministry of Construction in Japan with postgraduate qualification in construction and operation management. He is among the first group of registered architects and senior engineers of the PRC. He worked as Vice Chief Executive Officer of Powerlong Group from June 2007 to January 2009 and rejoined the Company in January 2011.

Non-Executive Director

HOI Wa Fan, aged 38, is a non-executive Director. Ms. Hoi is the managing director of Macau Powerlong Group and is responsible for the overall management and business development of Macau Powerlong Group. In December 2011, she established Ultra City Co., Ltd. and held the position of managing director. She was responsible for the overall management of business operation of Ultra City Co., Ltd. Between 2000 and 2006, she was the managing director of Nicole, a fashion brand concept store in Macau. She is a member of All-China Youth Federation. Ms. Hoi is the daughter of Mr. Hoi Kin Hong.

Independent Non-Executive Directors

NGAI Wai Fung, aged 52, is an independent non-executive Director, the current managing director of MNCOR Consulting Limited, the chief executive officer of SW Corporate Services Group Limited, a vice president of Hong Kong Institute of Chartered Secretaries, a member of Work Group on Professional Services under the Economic Development Commission, the Adjunct Professor of Department of Law of Hong Kong Shue Yan University and a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants. Mr. Ngai was an independent non-executive director and a member of the audit committee of China Life Insurance Company Limited and Franshion Properties (China) Limited and is currently an independent non-executive director and the member/chairman of the audit committee of BaWang International (Group) Holding Limited, Bosideng International Holdings Limited, Biostime International Holdings Limited, China Railway Construction Corporation Limited, China Coal Energy Company Limited, Juda International Holdings Limited, Sany Heavy Equipment International Holdings Company Limited, SITC International Holdings Company Limited and LDK Solar Co., Ltd., all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange and/or the New York Stock Exchange. He was a director and head of listing services of an independent operating corporate services provider (formed by the former corporate services department of KPMG and commercial divisions of Grant Thornton). Prior to that, Mr. Ngai had been in senior management positions including acting as the executive director, chief financial officer and company secretary of a number of Hong Kong listed companies, including COSCO Group, China Unicom Limited, Industrial and Commercial Bank of China (Asia) Limited. Mr. Ngai has over 25 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for listed companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities, and has been providing professional services and support to many state-owned enterprises and red chip companies in the areas of regulatory compliance, corporate governance and company secretarial services. Mr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, an associate of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Mr. Ngai received a doctoral degree in finance at Shanghai University of Finance and Economics in 2011, a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom in 1994 and a master's degree in business administration from Andrews University of Michigan in the United States in 1992.

Directors and Senior Management

MEI Jian Ping, aged 54, is an independent non-executive Director. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business in Beijing since 2006. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor of finance at Tsinghua University. Mr. Mei has been a director of Cratings.com Inc. since 1999. Since 2009, Mr. Mei has served on the board of directors of Zhong De Securities Company Limited. Mr. Mei acted as a consultant for various financial institutions, such as Deutsche Bank, UBS, NCH Capital and Asia Development Bank. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor degree in mathematics from Fudan University in 1982, a master degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed as an independent non-executive Director of the Company in June 2008 and was appointed as an independent non-executive director of MI Energy Holdings in mid 2010.

NIE Mei Sheng, aged 73, is an independent non-executive Director. Ms. Nie graduated from civil engineering department of Tsinghua University specializing in water supply and drainage. She has served as the chairwoman of the Estate Chamber of the China National Federation of Industry and Commerce since 2001 and has been a member of the 12th China National Committee for Pacific Economic Cooperation since February 2011. She serves as an independent non-executive director of Future Land Development Holdings Limited (HK stock code: 1030) and an independent non-executive director of China Motion Telecom International (HK stock code: 989). She had been an independent non-executive Director of Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Limited) (HK stock code: 563) until her resignation effective from 26 July 2010. She has more than 18 years of experience working at the China Southwest Municipal Engineering Design Institute. From 1994 to 2000, she served as the director general of the Science & Technology Department, the head of the Housing Industrialization Office and the vice director of the Science and Technology Committee of the Ministry of Construction of the PRC.

Ms. Nie won numerous awards in China and overseas, including A-level Science and Technology Progress Prize by the Ministry of Construction of the PRC and A-level Science and Technology Progress Prize by the State Education Commission of the PRC. She was recognized by the 4th Women Conference of the UN as a female scientific & technological expert. Nie Mei Sheng was a visiting professor of Qinghua University, Shanghai University and Harbin Institute of Technology and an academician of the World Productivity Academy.

Senior Management

LIAO Ming Shun, aged 50, is the vice president and the Chief Financial Officer of the Company. Mr. Liao is responsible for the overall capital operation and integrated financial control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of Fujian Great World Enterprises Group Company Limited, the independent director of Fujian Dongbai Enterprise Group Company Limited (SH stock code: 600693), the vice secretary general of private branch of Fujian Accounting Institute, the secretary general of real estate branch of Fujian Taxpayers' Club. He obtained a bachelor's degree in Rural Finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant, Certified Taxation Accountant, and Financial Planner. He was awarded one of the "Top CFOs for 2012 by the Xinlicai Magazine of Ministry of Finance" and "2013 China's Financial Value Leadership Award". He joined the Company in August 2009.

HONG Qun Feng, aged 41, is the general manager of Powerlong Land, responsible for overall operation and management of business of Powerlong Land. Mr. Hong was the market manager, assistant to the general manager and general manager of Xiamen Jindu Property Company, Xiamen Chengyi Property Company and Xiamen Bairun Property Consulting Company Limited respectively. He joined the Company in 2004.

ZHENG Yong Tang, aged 38, is the general manager of the Company's investment development centre. Mr. Zheng is responsible for the overall investment development and management of the Company. He had worked in Xiamen Jindu Property Management Co. Ltd. (廈門金都物業管理有限公司), Xiamen Chengyi Property Investment Co. Ltd. (廈門誠毅地產投資有限公司) and Xiamen Bairun Property Consultant Co. Ltd. (廈門百潤房地產顧問有限公司). He graduated from Xiamen Zhongxin International Computer Institute (廈門中新國際電腦學院) in 1997 before studying for a master degree in business administration in Xiamen University. He joined the Company in January 2000.

TIAN Jiong, aged 35, is the general manager of the Company's capital management centre. Mr. Tian is responsible for corporate finance, investor relations and overseas corporate financing of the Company. He had 10 years of experience in corporate finance in real estate industry, private equity investment and investor relations management. Prior to joining the Group, he had served as deputy general manager of equity investment department two in China Development Bank Capital and senior manager of corporate finance department in Sino-Ocean Land (HK Stock Code: 03377). He graduated from Tsinghua University – Australia Macquarie University in 2007 and obtained a master degree of finance. He joined the Company in July 2013.

XIAO Ying Lin, aged 40, is the company secretary and the director for investor relations of the Company. Ms. Xiao is responsible for the listing and compliance management as well as investor relation of the Company. She acted as a company secretary of Lianhua Supermarket Holdings Co., Ltd. (HK Stock Code: 0980), and had been in charge of professional corporate governance promotion for companies in eastern China for The Hong Kong Institute of Chartered Secretaries (HKICS). She holds a master degree in Economics from the Shanghai Academy of Social Sciences in 2000 and has 13 years of extensive experience in the company secretarial, capital operation, compliance, information disclosure, and investor relations fields. She is an associate member of The Institute of Chartered Secretaries and Administrators, United Kingdom and The Hong Kong Institute of Chartered Secretaries, Hong Kong as well as a certified Public Accountants of The Chinese Institute of Certified Public Accountants. She joined the Company in 2012.

Corporate Governance Report

Compliance with the Code on Corporate Governance Practices

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2013. The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders. During the year ended 31 December 2013 and save as disclosed herein in relation to the deviation from Code Provision A.6.7, the Company has complied with the provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Board of Directors

Composition of the Board

As at 31 December 2013, the Board consists of 9 Directors, 4 of whom were executive Directors, 2 of whom were non-executive Directors and 3 of whom were independent non-executive Directors. On 31 March 2014, Ms. Liu Xiao Lan retired from office as non-executive Director. On 1 April 2014, Mr. Guo Jun was appointed as executive Director. As at the date of this annual report, the Board consists of 9 Directors, 5 of whom are executive Directors, 1 of whom is non-executive Director and 3 of whom are independent non-executive Directors. The biographies of the Directors are set out on pages 30 to 32 of this annual report.

Responsibilities of Directors

The Board's major functions and duties are to oversee the management, businesses, strategic directions and financial performance of the Group as well as to maximize the financial performance of the Group and make decisions in the best interests of the Group. The Board is also fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The Board has delegated the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated various responsibilities to these Board committees as set out in their terms of reference, respectively.

All executive Directors have entered into service contracts with the Company for a term of three years. Ms. Hoi Wa Fan and Ms. Liu Xiao Lan, both are non-executive Directors, have entered into a service contract for a term of 3 years and 1 year with the Company, respectively. Under the articles of association of the Company (the "Articles of Association"), the Board is empowered to appoint any person as a director to fill the casual vacancy or as an additional director of the Board. The Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty and/or recommendation by the Nomination Committee (if any).

The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded. During the year ended 31 December 2013, the Company has at all times complied with Rule 3.10 and Rule 3.10A of the Listing Rules, the Company has appointed 3 independent non-executive Directors (representing one-third of the Board), 1 of whom has appropriate professional qualifications in accounting and financial management. Pursuant to the annual written confirmation, all independent non-executive Directors have confirmed their independence to the Company pursuant to the requirements of the Listing Rules and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive Directors have entered into letters of appointment with the Company for a term of 3 years. One-third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every 3 years in accordance with the Articles of Association.

All Directors, including independent non-executive Directors, have given sufficient time and effort to the affairs of the Group. Independent non-executive Directors have provided the Board with their diversified expertise, experience and professional advice. The Board believes that the ratio between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Board also believes that the views and participation of the independent non-executive Directors in the Board and its committees meetings provide independent judgment on the issues relating to strategies, performance, conflict of interests and management process to ensure that the interests of all shareholders are considered and safeguarded.

The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. For the year ended 31 December 2013, the Board held 4 Board meetings on 18 March 2013, 20 May 2013, 22 August 2013 and 9 December 2013, respectively. At these Board meetings, Directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, as well as reviewed the financial performance and internal control system, including financial, operational and compliance controls and risk management systems. Directors can attend the meeting in person or by electronic means.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities in order to provide suitable coverage for certain liabilities due to the discharge of responsibilities. The insurance coverage is reviewed on an annual basis.

Attendance of the individual directors at the Board meetings and the annual general meeting during the year ended 31 December 2013 is set out as follows:

	Board Meeting Attended/Total	Annual General Meeting Attended/Total
Executive Directors		
Mr. Hoi Kin Hong (Chairman of the Board and the Nomination Committee)	4/4	1/1
Mr. Hoi Wa Fong (Chief Executive Officer)	4/4	1/1
Mr. Xiao Qing Ping	4/4	1/1
Ms. Shih Sze Ni	4/4	1/1
Non-executive Directors		
Ms. Hoi Wa Fan	4/4	1/1
Ms. Liu Xiao Lan	4/4	1/1
Independent non-executive Directors		
Mr. Ngai Wai Fung (Chairman of the Audit Committee)	4/4	1/1
Mr. Mei Jian Ping (Chairman of the Remuneration Committee)	4/4	1/1
Ms. Nie Mei Sheng	3/4	0/1

Corporate Governance Report

Code Provision A.6.7 of the CG Code provides that the independent non-executive directors and non-executive directors should attend general meetings of the Company. Due to prior business engagements external to the Company, Ms. Nie Mei Sheng, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held during the year ended 31 December 2013.

All Board members have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures and all applicable rules and regulations are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which record sufficient details of the matters considered by the Board and decisions made, including any proposal raised by the Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by the Directors.

A list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Chairman and Chief Executive Officer

Mr. Hoi Kin Hong is the Chairman of the Board and Mr. Hoi Wa Fong is the Chief Executive Officer of the Company. Mr. Hoi Kin Hong is the father of Mr. Hoi Wa Fong. Despite their relationship, the responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Hoi Kin Hong, being the Chairman of the Board, is responsible for providing leadership to the Board and ensuring that the Board functions effectively, that Directors receive in timely manner adequate information which is complete and reliable and that all Directors are properly briefed on issues proposed at Board meetings. The Chairman also encourages Directors to participate actively and to make a full contribution to the Board so that the Board acts in the best interests of the Group.

Mr. Hoi Wa Fong, being the Chief Executive Officer of the Company, is responsible for the daily operations of the Group, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of the Group.

Induction and Continuing Development of Directors

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and the relevant statutory requirements.

Directors are continually updated on the latest statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continual briefing and professional development trainings for directors will be arranged as necessary.

The Company encourages all Directors to participate in continuing professional development in order to develop and refresh their knowledge and skills. The Company offers professional training to Directors by way of seminars, providing them with training materials and engaging compliance lawyers. The training attended by the Directors during the year ended 31 December 2013 is summarized as follows:

Date of training: 22 August 2013
Directors attended: Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni, Ms. Hoi Wa Fan, Ms. Liu Xiao Lan, Mr. Ngai Wai Fung, Mr. Mei Jian Ping, Ms. Nie Mei Sheng

Summary of the training courses: Seminar on the relevant laws and regulations governing the disclosure of inside information

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by its Directors. Specific enquiry has been made with all the Directors and all the Directors have confirmed that they have complied with the required standards in the Model Code throughout the year ended 31 December 2013.

Directors' Responsibilities for the Financial Statements

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2013 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year ended 31 December 2013 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

Board Committees

The Board has set up 3 committees with respective responsibilities, namely the audit committee, the remuneration committee and the nomination committee. All Board committees discharge their specific duties based on respective terms of reference, which is available for Shareholders on the Company's website. The Board has sufficient resources to discharge its duties.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises all the independent non-executive Directors:

Mr. Ngai Wai Fung (Chairman of the Audit Committee)
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Corporate Governance Report

The Audit Committee has established its terms of reference pursuant to the requirements under Rule 3.21 of the Listing Rules and Code Provision C3 as set out in Appendix 14 of the Listing Rules. The main duties of the Audit Committee are to provide the Board with an independent assessment report based on the effectiveness of the financial reporting procedure, internal control and risk management system of the Group, monitor the auditing procedure and discharge other duties and responsibilities delegated by the Board, including but not limited to the followings:

- To review the financial statements, reports and accounts and consider any significant or unusual items raised by the external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by the auditor, their remuneration and terms of engagement and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and the associated procedures. The Audit Committee provides supervision over the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year ended 31 December 2013, the Audit Committee held 2 meetings to review the financial results, and to make recommendations to improve the Group's internal control. The chief financial officer and representatives of the external auditor of the Company attended the meeting.

Attendance of individual members of the Audit Committee at the meetings for the year ended 31 December 2013 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Ngai Wai Fung	2/2
Mr. Mei Jian Ping	2/2
Ms. Nie Mei Sheng	2/2

Corporate Governance Functions

During the year under review, the Audit Committee is also responsible for determining the policy for the corporate governance of the Company to perform the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;

- to review and monitor the training and continuous professional development of the directors and senior management;

- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and

- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

Remuneration Committee

During the year under review, the remuneration committee of the Company (the "Remuneration Committee") comprises 3 members, the majority of whom are independent non-executive Directors:

Mr. Mei Jian Ping (Chairman of the Remuneration Committee)
Mr. Hoi Wa Fong
Ms. Nie Mei Sheng

The Remuneration Committee has adopted written terms of reference prepared by reference to the requirements under the Code Provision B.1.3 as set out in Appendix 14 to the Listing Rules. The main duties of the Remuneration Committee include but are not limited to provide recommendations to the Board in relation to the remuneration policy and structure of all Directors and senior management, and to establish a formal and transparent procedure for the development of those remuneration policies; determine specific remuneration packages for Directors and senior management; review and approve the performance-based remuneration with reference to the corporate goal and objectives resolved by the Directors from time to time.

During the year ended 31 December 2013, the Remuneration Committee held 1 meeting to review and consider the remuneration packages for the executive Directors and senior management of the Company.

Attendance of individual members of the Remuneration Committee at the meeting for the year ended 31 December 2013 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Mei Jian Ping	1/1
Mr. Hoi Wa Fong	1/1
Ms. Nie Mei Sheng	1/1

Nomination Committee

During the year under review, the nomination committee of the Company (the "Nomination Committee") comprises 3 members, the majority of whom are independent non-executive Directors:

Mr. Hoi Kin Hong (Chairman of the Nomination Committee)
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

The Nomination Committee has adopted written terms of reference prepared by reference to the requirement of Code Provision A.5.2 as set out in Appendix 14 of the Listing Rules. The Nomination Committee has been delegated with the powers and authorities to review the structure, size and composition of the Board, make recommendation to the Board on selection of individuals nominated for directorships and senior management, appointment or reappointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

The appointment, re-election and removal of Directors are governed by the Company's Articles of Association. Pursuant to the Company's Articles of Association, any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, whereas any director appointed as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at such meeting. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation and be eligible for re-election thereat, such that all directors should be subject to retirement by rotation at annual general meeting at least once every three years and be eligible for re-election thereat.

Board Diversity Policy

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits of the selected candidates and their contribution to the Board.

During the year ended 31 December 2013, the Nomination Committee held 1 meeting. Attendance of individual members of the Nomination Committee at the meeting for the year ended 31 December 2013 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Hoi Kin Hong	1/1
Mr. Mei Jian Ping	1/1
Ms. Nie Mei Sheng	1/1

Internal Control

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2013. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

External Auditor and Auditor's Remuneration

The statement of external auditor of the Company about his reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2013 is set out in the section headed "Independent Auditor's Report" in this annual report.

For the year ended 31 December 2013, the fee paid/payable to the auditor of the Company in respect of audit services and non-audit services (mainly for issuance of senior notes and interim review) amounted to RMB3.4 million and RMB3.1 million, respectively.

Shareholder Relations

The Company believes that by adopting a policy of disclosing clear and relevant information to shareholders through publication of announcements, notices, circulars, interim and final reports in a timely manner, the Company is able to establish an effective and appropriate relationship with its shareholders. Further, shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post. To enhance the Company's transparency, other information on the Company is also published at the Company's website at http://www.powerlong.com. In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and Directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. In addition to the Chairman, the chairmen of the Board committees, or in their absence, other members of the respective committees, are available to answer any queries that shareholders may have. The Chairman will propose separate resolutions for each issue to be considered at the annual general meeting. The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows the best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman. Vote results are posted on the Company's website.

Procedures for Shareholders to Requisition and Convene an Extraordinary General Meeting (Including Proposing a Resolution at an Extraordinary General Meeting)

- Any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholders") shall at all times have the right, by a written requisition signed by the Eligible Shareholders concerned (the "Requisition"), to require the Board to convene an extraordinary general meeting, and to put any resolution so requisitioned to vote at such extraordinary general meeting.

- Eligible Shareholders who wish to requisition the Board to convene an extraordinary general meeting for the purpose of proposing a resolution at the extraordinary general meeting must deposit the Requisition at the principle place of business of the Company in Hong Kong at Unit 5813, 58th Floor, The Center, 99 Queen's Road Central, Hong Kong, for the attention of the Company Secretary.

Corporate Governance Report

- The Requisition must state clearly the names of the Eligible Shareholders concerned, specify the objects of the meeting, and be signed by the Eligible Shareholders concerned. The Eligible Shareholders must prove their shareholdings in the Company to the satisfaction of the Company.

- The Company will check the Requisition and the identities and the shareholdings of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order and in compliance with the memorandum and articles of association of the Company, the Board will within 21 days of the date of deposit of the Requisition, proceed duly to convene an extraordinary general meeting to be held within a further 21 days, for the purpose of putting any resolution(s) proposed by the Eligible Shareholders to vote at such extraordinary general meeting. However, if the Requisition has been verified as not in order and not in compliance with the memorandum and articles of association of the Company, the Eligible Shareholders concerned will be advised of this outcome and accordingly, the Board will not convene an extraordinary general meeting and will not put any resolution(s) proposed by the Eligible Shareholders to vote at any such extraordinary general meeting or any other general meeting of the Company.

- If within 21 days of the date of deposit of the Requisition, the Board has not advised the Eligible Shareholders that the Requisition is not in order and not in compliance with the memorandum and articles of association of the Company, and the Board has failed to proceed to convene an extraordinary general meeting, the Eligible Shareholders themselves (or any one or more of the Eligible Shareholders who hold(s) more than one-half of the total voting rights of all the Eligible Shareholders who signed the Requisition) may proceed to convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board in accordance with the memorandum and articles of association of the Company, provided that the extraordinary general meeting so convened must be held before the expiration of three months from the date of deposit of the Requisition. All reasonable expenses incurred by the Eligible Shareholders concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholders concerned by the Company.

During the year ended 31 December 2013, there was no change in the constitutional documents of the Company.

Investor Relations Overview

As a responsible listed company, the Company is committed to maintaining dynamic communications with its shareholders and investors. The Company regularly updates the investors about its latest operations and financial performance through company website, corporate newsletters, site visits, one-on-one meetings, bank conferences and international roadshows.

In 2013, the Company was invited to participate in 9 Asian and European forums and conferences held by various investment banks meeting approximately 250 investors. Investor relations activities are not only helpful in promoting bilateral communications between the Company and the public and acting as an effective channel for information exchange, but also further enhance transparency of the Company in the capital market, thereby improving investors' relationship of the Group.

Powerlong participated in the following major investor relations activities in 2013:

May: Barclays Select Series 2013: Asia Financial & Property Conference (Hong Kong)
May: The 11th BOCI Investors Conference (Beijing)
June: CLSA China/HK Property Access Day (Hong Kong)
June: Citi Asia Pacific Property Conference 2013 (Hong Kong)
October: Jefferies 3rd Annual Asia Corporate Access Summit (Hong Kong)
November: Citi China Investor Conference 2013 (Macau)
November: Deutsche China Property Conference (Hong Kong)
November: BofAML China Conference 2013 (Beijing)
November: Nomura Asian High Yield Corporate Day (Hong Kong)

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number: +86-21-51759999/+852-21691988
By post: 15/F, Gubei International Wealth Center, 1452 Hong Qiao Road, Chang Ning, Shanghai, China
Unit 5813, 58/F, The Center, 99 Queen's Road Central, Hong Kong
Attention: Mr. Jones Tian/Ms. Charlotte Xiao/Ms. Judy Zheng/Mr. Fred Tao
By email: tianjiong@powerlong.com/xiaoyl@powerlong.com/zhengzhe@powerlong.com/taoxj@powerlong.com

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2013.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, property investment, property management services, and other property development related services. Details of the principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2013 are set out on pages 63 to 150 of this annual report. The Board of Directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

Reserves

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2013 are set out in note 18, 19 and 30 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2013, the reserves of the Company available for distribution were approximately RMB3,234 million (2012: RMB3,402 million).

Major Customers and Suppliers

During the year under review, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases during the year under review.

None of the Directors, their associates or any shareholder (who to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2013 are set out in note 20 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2013 amounted to RMB10,709,000 (2012: RMB7,806,000).

Property and Equipment

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year under review are set out in note 18 to the consolidated financial statements.

Five-Year 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 151 to 152 of this annual report.

Pre-Emptive Rights

There are no provision for pre-emptive rights over shares of the Company under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated.

Directors and Directors' Service Contracts

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

Executive Directors
Mr. Hoi Kin Hong (Chairman)
Mr. Hoi Wa Fong (Chief Executive Officer)
Mr. Xiao Qing Ping (Vice Chief Executive Officer)
Ms. Shih Sze Ni (Executive Director of Commercial Group)
Mr. Guo Jun (Vice Chief Executive Officer) (appointed on 1 April 2014)

Non-executive Directors
Ms. Hoi Wa Fan
Ms. Liu Xiao Lan (retired on 31 March 2014)

Independent Non-executive Directors
Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

Report of the Directors

In accordance with article 16.18 of the Company's Articles of Association, Mr. Xiao Qing Ping, Ms. Hoi Wa Fan and Mr. Ngai Wai Fung will retire from its office as Directors by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping, Ms. Shih Sze Ni, the executive Directors and Ms. Hoi Wa Fan, a non-executive Director, have entered into service contracts with the Company for a term of three years commencing from 14 October 2012. Mr. Guo Jun, an executive Director has signed a service contract with the Company for a term commencing from 1 April 2014 to 13 October 2015. Each of the Independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 14 October 2012. None of the Directors, including Directors being proposed for re-election at the forthcoming annual general meeting, has a 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.

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

Directors' Remuneration

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular review by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 25 to the consolidated financial statements.

Directors' Interests in Contracts of Significance

Save as disclosed in the note 36 to the consolidated financial statements and in the section "Continuing Connected Transactions" of this annual report, there was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

Share Option Schemes

Pursuant to the shareholder's resolutions of the Company on 16 September 2009, the Company has adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute and had contributed to the success of the Group's operations.

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

1. **Purpose of the Share Option Scheme:**
The Share Option Scheme is established to recognize and acknowledge the Eligible Participants (as defined in paragraph 2 below) for the contributions they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

    (i) to motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

    (ii) to attract and retain the Eligible Participants or to otherwise maintain on-going business relationship with them whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Share Option Scheme:**
The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

    (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

    (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

    (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2013:**
The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 400,000,000 shares (representing approximately 9.88% of the issued share capital as at 31 December 2013).

4. **Maximum entitlement of each participant under the Share Option Scheme:**
   The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

   (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

   (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time, for this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

5. **The period within which the options must be exercised under Share Option Scheme to subscribe for shares:**
   An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee but in any event not exceeding 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**
   There is no minimum period for which an option granted must be held before it can be exercised unless otherwise imposed by the Directors.

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:**
   Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price:**
   The exercise price is determined by the Board but shall not be less than the higher of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date (which must be a trading day) of grant of options; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share.

9. **The remaining life of the Share Option Scheme:**
   The Share Option Scheme will remain in force for a period of 10 years commencing from 16 September 2009.

   Since the adoption of the Share Option Scheme and up to 31 December 2013, no options had been granted under the Share Option Scheme.

B. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

1. Purpose of the Pre-IPO Share Option Scheme:

The Pre-IPO Share Option Scheme is established to recognize and acknowledge the Pre-IPO Eligible Participants (as defined in paragraph 2 below) for the contributions they had or may have made to the Group. The Pre-IPO Share Option Scheme will provide the Pre-IPO Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

(i) to motivate the Pre-IPO Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) to attract and retain the Pre-IPO Eligible Participants or to otherwise maintain business relationship with them whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Pre-IPO Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Pre-IPO Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

(i) any full-time employees, executives or officers of the Company or any of its subsidiaries; or

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any full-time employees of any subsidiaries of the Company at a manager level or above and other full-time employees of the Company or its subsidiaries who have been in employment with the Group for over 3 years prior to the date of the adoption of the Pre-IPO Share Option Scheme.

3. Total number of shares available for issue under the Pre-IPO Share Option Scheme and percentage of issued share capital as at 31 December 2013:

The maximum number of shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 40,000,000 shares (representing approximately 0.99% of the issued share capital).

4. **The period within which the options must be exercised under Pre-IPO Share Option Scheme to subscribe for shares:**

Exercise Period	Number of Options Exercisable
From 16 September 2010 to 15 September 2012	1st batch options, being 20% of the total number of options granted
From 16 September 2011 to 15 September 2013	2nd batch options, being 20% of the total number of options granted
From 16 September 2012 to 15 September 2014	3rd batch options, being 20% of the total number of options granted
From 16 September 2013 to 15 September 2015	4th batch options, being 20% of the total number of options granted
From 16 September 2014 to 15 September 2016	5th batch options, being 20% of the total number of options granted

5. **The minimum period for which an option must be held before it can be exercised:**

Minimum Period	Number of Options Exercisable
12 months from 16 September 2009	1st batch options, up to 20% of the total number of options granted
24 months from 16 September 2009	2nd batch options, up to 20% of the total number of options granted
36 months from 16 September 2009	3rd batch options, up to 20% of the total number of options granted
48 months from 16 September 2009	4th batch options, up to 20% of the total number of options granted
60 months from 16 September 2009	5th batch options, up to 20% of the total number of options granted

6. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:**
Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per grant.

7. **The basis of determining the exercise price:**
The exercise price shall be a price equivalent to a discount of 10% to the offer price under the global offering of the Company's shares.

8. Movements of the Pre-IPO Share Option Scheme of the Company:

Category	Exercise Period	Number of share options: As at 1 January 2013	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2013
Mr. Hoi Kin Hong	16 September 2011 to 15 September 2013	1,400,000	–	(1,400,000)	–
	16 September 2012 to 15 September 2014	1,400,000	–	–	1,400,000
	16 September 2013 to 15 September 2015	1,400,000	–	–	1,400,000
	16 September 2014 to 15 September 2016	1,400,000	–	–	1,400,000
	Total	5,600,000	–	(1,400,000)	4,200,000
Mr. Hoi Wa Fong	16 September 2011 to 15 September 2013	440,000	–	(440,000)	–
	16 September 2012 to 15 September 2014	440,000	–	–	440,000
	16 September 2013 to 15 September 2015	440,000	–	–	440,000
	16 September 2014 to 15 September 2016	440,000	–	–	440,000
	Total	1,760,000	–	(440,000)	1,320,000
Mr. Xiao Qing Ping	16 September 2011 to 15 September 2013	360,000	–	(360,000)	–
	16 September 2012 to 15 September 2014	360,000	–	–	360,000
	16 September 2013 to 15 September 2015	360,000	–	–	360,000
	16 September 2014 to 15 September 2016	360,000	–	–	360,000
	Total	1,440,000	–	(360,000)	1,080,000

Report of the Directors

		Number of share options			
Category	Exercise Period	As at 1 January 2013	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2013
Ms. Shih Sze Ni	16 September 2011 to 15 September 2013	240,000	–	(240,000)	–
	16 September 2012 to 15 September 2014	240,000	–	–	240,000
	16 September 2013 to 15 September 2015	240,000	–	–	240,000
	16 September 2014 to 15 September 2016	240,000	–	–	240,000
	Total	960,000	–	(240,000)	720,000
Ms. Liu Xiao Lan	16 September 2011 to 15 September 2013	240,000	–	(240,000)	–
	16 September 2012 to 15 September 2014	240,000	–	–	240,000
	16 September 2013 to 15 September 2015	240,000	–	–	240,000
	16 September 2014 to 15 September 2016	240,000	–	–	240,000
	Total	960,000	–	(240,000)	720,000
Directors	Total	10,720,000	–	(2,680,000)	8,040,000
Employees	16 September 2011 to 15 September 2013	2,864,000	–	(2,864,000)	–
	16 September 2012 to 15 September 2014	2,864,000	–	(388,000)	2,476,000
	16 September 2013 to 15 September 2015	2,864,000	–	(388,000)	2,476,000
	16 September 2014 to 15 September 2016	2,864,000	–	(388,000)	2,476,000
Employees	Total	11,456,000	–	(4,028,000)	7,428,000
	Total	22,176,000	–	(6,708,000)	15,468,000

Share Award Scheme

A share award scheme was adopted by the Board on 2 December 2010 (the "Share Award Scheme") to recognize and motivate the contributions made to the Group by its employees and to give incentives in order to retain them for the continuous operation and development of the Group.

The Share Award Scheme shall be valid and effective for a term of 6 years commencing on the date of adoption. Pursuant to the Share Award Scheme, shares will be acquired by the independent trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. Vested shares will be transferred to the selected employees at nil consideration. The total number of shares to be awarded under the Share Award Scheme shall not in aggregate more than 2% of the issued share capital of the Company as at the date of adoption. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 2 December 2010.

On 6 June 2013, an executive committee established by the Board (the "Executive Committee") comprising members of the Remuneration Committee, the chairman of the Board and an independent non-executive director of the Company and delegated with the power and authority by the Board to administer the Share Award Scheme pursuant to the rules under the Share Award Scheme, resolved to grant an aggregate of 7,502,000 shares (the "Awarded Shares") to 67 Eligible Employees pursuant to the rules under the Share Award Scheme, including (i) Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping and Ms. Shih Sze Ni, the executive directors of the Company, and (ii) 63 Awardees who are Eligible Employees and are independent of the Company and its connected persons (as defined in the Listing Rules) (together, "Awardees") pursuant to the Share Award Scheme. Details of the grant are as follows:

Name of Awardee	No. of Awarded Shares	Vesting Date	Vesting Conditions
Mr. Hoi Kin Hong	324,000	(i) 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2016; and (ii) the remaining 50% of the Awarded Shares shall vest in the respective Eligible Employees on 1 July 2017.	Subject to the terms of the Scheme Rules and the fulfillment of such additional performance requirements as specified by the Board/ Executive Committee.
Mr. Hoi Wa Fong	324,000		
Mr. Xiao Qing Ping	444,000		
Ms. Shih Sze Ni	230,000		
Remaining 63 Eligible Awardees	6,180,000		

Directors' interests in the shares and underlying shares of the Company

As at 31 December 2013, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") were as follows:

(1) Interests in shares of the Company

Name of Director	Long/Short position	Capacity	Number of ordinary shares in the Company	Approximate percentage of the Company's issued shares*
Mr. Hoi Kin Hong	Long Position	Interest of a controlled corporation (Note 1)	1,805,637,000	44.61%
	Long Position	Beneficial owner	27,479,000	0.68%
	Long Position	Beneficial owner (Note 2)	324,000	0.01%
	Long Position	Interest of spouse	2,800,000	0.07%
Mr. Hoi Wa Fong	Long Position	Interest of a controlled corporation (Note 3)	605,400,000	14.96%
	Long Position	Beneficial owner (Note 4)	324,000	0.01%
	Long Position	Interest of spouse	230,000	0.01%
Ms. Hoi Wa Fan	Long Position	Interest of a controlled corporation (Note 5)	300,000,000	7.41%
Mr. Xiao Qing Ping	Long Position	Beneficial owner (Note 6)	444,000	0.01%
Ms. Shih Sze Ni	Long Position	Beneficial owner (Note 7)	230,000	0.01%
	Long Position	Interest of spouse	605,724,000	14.96%
Mr. Guo Jun (Note 8)	Long Position	Beneficial owner (Note 9)	444,000	0.01%

Notes:

1. The 1,805,637,000 shares are held by Skylong Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Kin Hong.

2. These represent the 324,000 Awarded Shares granted to Mr. Hoi Kin Hong on 6 June 2013 under the Share Award Scheme.

3. The 605,400,000 shares are held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.

4. These represent the 324,000 Awarded Shares granted to Mr. Hoi Wa Fong on 6 June 2013 under the Share Award Scheme.

5. The 300,000,000 shares are held by Walong Holdings Limited, which is wholly and beneficially owned by Ms. Hoi Wa Fan.

6. These represent the 444,000 Awarded Shares granted to Mr. Xiao Qing Ping on 6 June 2013 under the Share Award Scheme.

7. These represent the 230,000 Awarded Shares granted to Ms. Shih Sze Ni on 6 June 2013 under the Share Award Scheme.

8. Mr. Guo Jun was appointed as an executive director of the Company on 1 April 2014.

9. These represent the 444,000 Awarded Shares granted to Mr. Guo Jun on 6 June 2013 under the Share Award Scheme.

* The percentage represents the number of ordinary shares interested in divided by the number of the Company's issued shares as at 31 December 2013.

(2) Interests in underlying shares of the Company – equity derivatives of the Company

Name of Director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Approximate percentage of the underlying shares over the Company's issued shares* (Assuming the share options are exercised in full)
Mr. Hoi Kin Hong	Long Position	Beneficial owner	4,200,000	0.1375%
Mr. Hoi Wa Fong	Long Position Long Position	Beneficial owner Interest of spouse	1,320,000 720,000	0.0326% 0.0178%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	1,080,000	0.0267%
Ms. Shih Sze Ni	Long Position Long Position	Beneficial owner Interest of spouse	720,000 1,320,000	0.0178% 0.0326%
Ms. Liu Xiao Lan (Note 1)	Long Position	Beneficial owner	720,000	0.0178%

Note: Details of the above share options as required by the Listing Rules have been disclosed in the above section headed "Share Option Schemes" and note 19 to the consolidated financial statements.

1. Ms. Liu Xiao Lan retired from office as a non-executive director of the Company on 31 March 2014.

* The percentage represents the number of underlying shares interested in divided by the number of the Company's issued shares as at 31 December 2013.

(3) Long Position in the Senior Notes

Name of Director	Capacity	Amount of Debentures	Approximate percentage of the issued debentures (%)
Mr. Hoi Wa Fong	Interest of a controlled corporation (Note)	USD5,600,000	2.80%

Note: The USD5,600,000 senior notes are being held by Sky Infinity Holdings Limited, which is wholly and beneficially owned by Mr. Hoi Wa Fong.

Saved as disclosed above, as at 31 December 2013, none of the Directors, chief executives of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares

Saved as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for shares or debt securities of the Company nor exercised any such right.

Report of the Directors

Interests of Substantial Shareholders

As at 31 December 2013, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Percentage of Shareholding*
Skylong Holdings Limited (Notes 1 and 2)	Beneficial owner	1,805,637,000 (L)	44.61%
Mr. Hoi Kin Hong (Notes 1, 3 and 9)	Beneficial owner	27,479,000 (L)	0.68%
	Beneficial owner	324,000 (L)	0.01%
	Beneficial owner	4,200,000 (L)	0.10%
	Interest of spouse	2,800,000 (L)	0.07%
Sky Infinity Holdings Limited (Notes 1 and 4)	Beneficial owner	605,400,000 (L)	14.96%
Mr. Hoi Wa Fong (Notes 1, 5, 6 and 9)	Beneficial owner	324,000 (L)	0.01%
	Beneficial owner	1,320,000 (L)	0.03%
	Interest of spouse	950,000 (L)	0.02%
Walong Holdings Limited (Notes 1 and 7)	Beneficial owner	300,000,000 (L)	7.41%
Wason Holdings Limited (Notes 1 and 8)	Beneficial owner	300,000,000 (L)	7.41%

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. Skylong Holdings Limited is wholly and beneficially owned by Mr. Hoi Kin Hong.

3. These represent the 324,000 Awarded Shares granted to Mr. Hoi Kin Hong on 6 June 2013 under the Share Award Scheme.

4. Sky Infinity Holdings Limited is wholly and beneficially owned by Mr. Hoi Wa Fong.

5. These represent the 324,000 Awarded Shares granted to Mr. Hoi Wa Fong on 6 June 2013 under the Share Award Scheme.

6. These represent the 230,000 Awarded Shares granted to Ms. Shih Sze Ni on 6 June 2013 under the Share Award Scheme.

7. Walong Holdings Limited is wholly and beneficially owned by Ms. Hoi Wa Fan.

8. Wason Holdings Limited is beneficially owned as to 70% by Ms. Che Iok Teng, as to 10% by each of Ms. Hoi Wa Lam (許華琳), Ms. Hoi Wa Lam (許華嵐) and Ms. Hoi Wa Weng, respectively.

9. Details of the above share options as required by the Listing Rules have been disclosed in the above section headed "Share Option Schemes" and note 19 to the consolidated financial statements.

* The percentage represents the number of ordinary shares interested in divided by the number of the Company's issued shares as at 31 December 2013.

Disclosures Pursuant to Rules 13.17 and 13.18 of the Listing Rules

On 8 September 2011, the Company issued senior notes due in September 2014 with an aggregate principal amount of HK$1,000 million (the "HKD Notes") pursuant to an indenture dated 8 September 2011, as supplemented (the "Indenture") entered into among the Company, the Subsidiary Guarantors (as defined therein), the Parent Guarantors (as defined therein) and Citicorp International Limited, as trustee. Pursuant to the Indenture, Skylong Holdings Limited, Sky Infinity Holdings Limited and Walong Holdings Limited, the Parent Guarantors (as defined in the Indenture) entered into share charges, pursuant to which they charged, in favor of The Hongkong and Shanghai Banking Corporation Limited, as agent for and on behalf of the holders of the notes, shares of the Company as security for the HKD Notes. For further details, please refer to the announcement of the Company dated 8 September 2011.

Save as disclosed above, as at 31 December 2013, the Company did not have other disclosure obligations under Rules 13.17 and 13.18 of the Listing Rules.

Directors' Interests in Competing Business

Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, being the Directors, are interested in certain companies engaged in the hotel operation business, which is ancillary to the Company's core business, namely, commercial property development and operation. The hotels operated by such companies are Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel. These two hotels are operated independently and in individual mode different from that of the Group, while the hotels included in the Group's development projects are developed as part of the large-scale and multifunctional commercial complexes. As such, there are no actual or potential competition between these two hotels and the hotels to be included in the Group's development project. Details of Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel are set out in the Prospectus.

Saved as disclosed above, as at 31 December 2013, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

Each of Skylong Holdings Limited, Sky Infinity Holdings Limited, Walong Holdings Limited, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan has undertaken to the Company that, subject to the exceptions mentioned in the Prospectus, they will not engage in, and shall procure that their controlled affiliates (other than members of the Company) will not engage in any property development and hotel operation business in China. Details of the deed of non-competition (the "Deed of Non-competition") in favour of the Company are set out in the Prospectus.

The Company has received from Skylong Holdings Limited, Sky Infinity Holdings Limited, Walong Holdings Limited, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan an annual confirmation that it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition.

Related Party Transactions

During the year ended 31 December 2013, certain directors and their closely related family members, as well as the companies controlled by certain directors and/or their respective closely related family members entered into transactions with the Group, details of which are disclosed in "Related Party Transactions" set out in note 36 to the consolidated financial statements of the Group.

Continuing Connected Transactions

During the year ended 31 December 2013, the Group has entered into the following connected transactions, which were exempted from the requirement of independent shareholder's approval, but subject to the disclosure requirements on annual report under Chapter 14A of the Listing Rules. Details of these transactions are set out below:

(1) **Hotel accommodation services agreement with Macau Powerlong Group**
On 4 September 2009, the Company and Pou Long Construction and Land Investment Company Limited ("Macau Powerlong Group") entered into the hotel accommodation services agreement (the "Hotel Services Agreement"), pursuant to which Macau Powerlong Group agreed to provide hotel accommodation services to the Group's employees and guests, who are primarily independent suppliers or service providers to the Company at two hotels namely Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel for a term of 3 years

Report of the Directors

from 1 January 2009 to 31 December 2011. Upon expiry of the Hotel Services Agreement on 31 December 2011, the Company and Macau Powerlong Group entered into a renewal agreement to renew the Hotel Services Agreement for a fixed term of three years commencing from 1 January 2012 to 31 December 2014. Under such renewal agreement, Macau Powerlong Group provides such hotel accommodation services during the ordinary course of business, charges a discount of 50% to the normal room service charges and offers terms no less favorable than those offered by independent third parties for comparable services to the Group. For further details, please also refer to the announcement of the Company dated 3 January 2012.

Macau Powerlong Group is owned as to 88.9% by Hoi Kin Hong and is therefore a connected person of the Company under the Listing Rules. During the year under review, the total amount charged for the provision of hotel accommodation services by the two hotels of Macau Powerlong Group to the Company under the Hotel Services Agreement was RMB812,000 and the amount of exemption granted by the Stock Exchange was RMB5,100,000.

(2) **Property management services agreements with the associates of Macau Powerlong Group and the Directors of the Company**

On 4 September 2009, the Company and Fuzhou Powerlong Amusement Management Company Limited ("Fuzhou Amusement"), Qingdao Powerlong Amusement Culture Development Company Limited ("Qingdao Amusement"), Zhengzhou Powerlong Food & Beverage Company Limited, Zhengzhou Cannes Outlets Commercial Company Limited ("Zhengzhou Outlets"), Hoi Kin Mei and Hoi Wa Fong entered into the property management services agreements (the "Property Management Services Agreements") for a term of three years from 1 January 2009 to 31 December 2011. Upon expiry of the Property Management Services Agreements on 31 December 2011, the Company, Fuzhou Amusement, Qingdao Amusement, Zhengzhou Outlets, Hoi Kin Mei and Hoi Wa Fong entered into a renewal agreement to renew the Property Management Services Agreements for a fixed term of 3 years commencing from 1 January 2012 to 31 December 2014. Under such renewal agreement, the Group has agreed to provide property management services including security, cleaning and maintenance services, to the amusement park, retail stores and offices operated and occupied by Qindao Amusement, Zhengzhou Outlets, and the commercial units owned by Hoi Kin Mei and Hoi Wa Fong. The Group charged property management services fees with reference to prevailing market rates and on terms no more favorable than those offered by independent third parties for comparable services to those companies and individuals. The Directors are of the view that such transactions are conducted on normal commercial terms and in the ordinary course of business. For further details, please also refer to the announcement of the Company dated 3 January 2012.

Fuzhou Amusement is owned as to 60% by Powerlong Group Development Co., Ltd. ("Xiamen Powerlong Group"), Qingdao Amusement is wholly owned by Xiamen Powerlong Group, Zhengzhou Outlets is owned as to 100% equity interest by Xiamen Cannes Department Stores Management Company Limited (which is a wholly owned subsidiary of Xiamen Powerlong Group). Xiamen Powerlong Group is indirectly owned as to 88.9% by Mr. Hoi Kin Hong. Hence, these companies are the connected persons of the Company under the Listing Rules.

During the year under review, the total amount of service fees charged by the Group under the Property Management Services Agreements was RMB797,000 and the amount of exemption granted by the Stock Exchange was RMB4,200,000.

(3) Purchase of office equipment from Xiamen Powerlong Information

On 4 September 2008, Fuzhou Powerlong Real Estate Development Co., Ltd. ("Fuzhou Powerlong"), an indirectly wholly-owned subsidiary of the Company, entered into an office equipment purchase agreement with Xiamen Powerlong Information Industry Co., Ltd. ("Xiamen Powerlong Information") (the "Equipment Purchase Agreement"), for a term of 3 years from 1 January 2009 to 31 December 2011. Upon expiry of the Equipment Purchase Agreement, on 31 December 2011, Fuzhou Powerlong and Xiamen Powerlong Information entered into a renewal agreement to renew the Equipment Purchase Agreement for a fixed term of 3 years commencing from 1 January 2012 to 31 December 2014. Under such renewal agreement, Xiamen Powerlong Information will supply office equipment such as printers, photocopiers, computers and fax machines to Fuzhou Powerlong. For further details, please refer to the announcement of the Company dated 3 January 2012.

During the year under review, the total transaction amount under the Equipment Purchase Agreement was RMB769,000 and the annual cap amount waived by the Stock Exchange was RMB9,000,000.

(4) Long-term lease agreement

The Group as landlords has entered into the following long-term lease agreement ("Long-term Lease Agreement") with Fuzhou Amusement:

Tenant	Location of property	Area of property (square meters)	Term (Year)	Annual rent payable (RMB)	Use of property
Fuzhou Amusement	Fuzhou Powerlong City Plaza	5,171	5	2.40 million	Amusement park

The annual caps under the Long-term Lease Agreement is subject to review upon its expiry of every 3 years in accordance with the relevant requirements under Chapter 14A of the Listing Rules. Upon expiry of the annual caps on 31 December 2011, revised annual caps were proposed for the three years commencing from 1 January 2012 to 31 December 2014. For further details, please refer to the announcement of the Company dated 3 January 2012.

During the year under review, the total amount of rental received by the Group under the Long-term Lease Agreement was RMB2,308,000 and the amount of exemption granted by the Stock Exchange was RMB2,400,000.

(5) Security service agreement with Fujian Ping An

On 1 July 2010, the Group and Fujian Ping An Security Devices and Network Co., Ltd. (the "Fujian Ping An") entered into a security service agreement (the "Security Service Agreement"), pursuant to which, Fujian Ping An agreed to provide certain security intelligentization system services to the Group for a term from 1 July 2010 to 31 December 2012. Details of the Security Service Agreement are set out in the announcement of the Company dated 1 July 2010. On 28 December 2012, the parties renewed the existing security service agreement with a term of 3 years commencing from 1 January 2013 to 31 December 2015 (both days inclusive). Details of the renewed security service agreement are set out in the announcement of the Company dated 28 December 2012.

Report of the Directors

Fujian Ping An is a wholly-owned subsidiary of Xiamen Powerlong Information, a company which is owned as to 51% by Xiamen Powerlong Group and 49% by Jui Yau International Investments Company Limited ("Jui Yau International"). Xiamen Powerlong Group is indirectly owned as to 88.9% by Mr. Hoi Kin Hong and Jui Yau International is owned as to 24.8% by Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, the respective son and daughter of Mr. Hoi Kin Hong, a substantial shareholder of the Company. Hence, Fujian Ping An is a connected person of the Company.

During the year under review, the total transaction amount under the Security Service Agreement was RMB41,538,000 and the annual cap amount exempted by the Stock Exchange was RMB155,000,000.

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions have been entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (d) have not exceeded the relevant maximum annual cap amount in accordance to the waiver previously granted by the Stock Exchange.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 57 to page 60 of this annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transactions for the Year

(1) **Establishment of Joint Ventures with Xiamen Hongbaorong Investment Management Co., Ltd. (hereinafter, "Xiamen Hongbaorong")**

On 31 May 2013¸ Powerlong Land Development Limited (hereinafter, "Powerlong Land Development"), a subsidiary of the Company, and Xiamen Hongbaorong entered into joint venture agreements, pursuant to which, Powerlong Land Development and Xiamen Hongbaorong have agreed to establish the joint venture companies, namely, Qingdao Powerlong Yingju Real Estate Development Co., Ltd. and Qingdao Powerlong Yingju Cultural Tourism Development Co., Ltd. to cooperate in the development of parcels of land in Sanlihe Street, Jiaozhou, Shandong and Shaohai Xin Cheng, Jiaozhou, Shandong, respectively. Powerlong Land Development and Xiamen Hongbaorong will respectively hold 75% and 25% of the equity interest in the joint venture companies.

Xiamen Hongbaorong is owned as to 70% by Ms. Xu Jian Man and 30% by Mr. Cai Xiang Jiang. Ms. Xu Jian Man is the sister of Mr. Hoi Kin Hong, the executive Director and the chairman of the Company. She is also an associate of Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni, the directors of the Company. Xiamen Hongbaorong is therefore a connected person of the Company and the joint venture agreements constitute connected transactions of the Group under Chapter 14A of the Listing Rules. For further details, please refer to the announcement dated 31 May 2013 of the Company.

(2) **Sale and Purchase Agreement entered into with Asia Business Group Limited (hereinafter, "Asia Business") and Sky Empire Limited (hereinafter, "Sky Empire") in relation to the Disposal of Shares in Powerlong (BVI) IV Limited (hereinafter, "Powerlong (BVI) IV")**

On 6 December 2013, Powerlong Real Estate (BVI) Holdings Limited (hereinafter, "Powerlong BVI"), a subsidiary of the Company, entered into a sale and purchase agreement with Asia Business and Sky Empire, pursuant to which, Powerlong BVI has agreed to dispose to both purchasers 9% of the issued share capital of Powerlong (BVI) IV at an aggregate consideration of HK$25,030,144.

Asia Business is wholly-owned by Ms. Hoi Wa Lam who is the niece of Mr. Hoi Kin Hong, an executive Director and chairman of the Company. She is also the cousin of Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni, the directors of the Company. Ms. Hoi Wa Lam is therefore an associate of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Ms. Shih Sze Ni. Asia Business is therefore a connected person of the Company and the sale and purchase agreement regarding the shares constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules. For further details, please refer to the announcement dated 6 December 2013 of the Company.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2013. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on page 34 to page 43 of this annual report.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 10 June 2014 to Monday, 16 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 16 June 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 June 2014.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises 3 independent non-executive Directors.

The Audit Committee has reviewed the annual results for the year ended 31 December 2013 with the Company's management.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2013 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

Auditor

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Hoi Kin Hong
Chairman

Hong Kong, 8 April 2014

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF POWERLONG REAL ESTATE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 150, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 March 2014

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Consolidated Balance Sheet

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**1,694,201**	1,578,966
Land use rights	7	**569,862**	543,527
Investment properties	8	**19,590,330**	18,147,844
Investments accounted for using the equity method	15	**1,148,972**	1,012,423
Deferred income tax assets	21	**203,065**	167,094
Derivative financial instruments	20(a)(ii)	**11,406**	–
Loans		**–**	270,000
		23,217,836	21,719,854
Current assets			
Properties under development	9	**11,371,010**	10,789,478
Completed properties held for sale	10	**3,521,049**	2,649,985
Trade and other receivables	11	**1,989,387**	1,452,635
Prepayments	12	**3,304,061**	1,371,281
Prepaid taxes		**241,216**	195,964
Available-for-sale financial assets	13	**30,801**	16,462
Financial assets at fair value through profit or loss		**14,600**	1,750
Restricted cash	16	**378,508**	557,979
Cash and cash equivalents	17	**4,434,449**	1,452,217
		25,285,081	18,487,751
Total assets		**48,502,917**	40,207,605
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	18	**3,035,471**	3,035,471
Reserves		**14,101,674**	13,003,593
		17,137,145	16,039,064
Non-controlling interests		**508,988**	460,376
Total equity		**17,646,133**	16,499,440

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**11,854,736**	7,731,776
Deferred income tax liabilities	21	**3,187,587**	3,009,963
		15,042,323	10,741,739
Current liabilities			
Trade and other payables	22	**4,869,464**	3,910,015
Advances from customers		**4,186,307**	3,633,826
Current income tax liabilities	23	**2,183,267**	2,100,335
Borrowings	20	**4,575,423**	3,322,250
		15,814,461	12,966,426
Total liabilities		**30,856,784**	23,708,165
Total equity and liabilities		**48,502,917**	40,207,605
Net current assets		**9,470,620**	5,521,325
Total assets less current liabilities		**32,688,456**	27,241,179

The notes on pages 70 to 150 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Balance Sheet

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	14	**6,289,912**	6,221,324
Derivative financial instruments	20(a)(ii)	**11,406**	–
		6,301,318	6,221,324
Current assets			
Amounts due from subsidiaries	14	**3,664,512**	1,079,521
Financial assets at fair value through profit or loss		**13,100**	–
Cash and cash equivalents	17	**39,193**	145,768
		3,716,805	1,225,289
Total assets		**10,018,123**	7,446,613
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	18	**3,035,471**	3,035,471
Reserves	19, 30	**234,175**	402,483
Total equity		**3,269,646**	3,437,954
LIABILITIES			
Non-current liabilities			
Borrowings	20	**4,034,527**	2,896,838
Current liabilities			
Other payables and accruals	22	**42,562**	36,135
Amounts due to subsidiaries	14	**619,479**	832,365
Borrowings	20	**2,051,909**	243,321
		2,713,950	1,111,821
Total liabilities		**6,748,477**	4,008,659
Total equity and liabilities		**10,018,123**	7,446,613
Net current assets		**1,002,855**	113,468
Total assets less current liabilities		**7,304,173**	6,334,792

The notes on pages 70 to 150 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	5	**7,256,938**	5,871,763
Cost of sales	24	**(5,201,756)**	(3,540,058)
Gross profit		**2,055,182**	2,331,705
Fair value gains on investment properties – net	8	**530,672**	1,743,684
Selling and marketing costs	24	**(240,509)**	(208,258)
Administrative expenses	24	**(583,970)**	(505,331)
Other gains/(losses) – net	26	**95,370**	(56,440)
Exchange (losses)/gains – net	27	**(22,543)**	248
Operating profit		**1,834,202**	3,305,608
Finance income/(costs) – net	28	**121,023**	(29,389)
Share of profit of investments accounted for using the equity method	15	**108,365**	134,079
Profit before income tax		**2,063,590**	3,410,298
Income tax expense	29	**(663,414)**	(1,197,312)
Profit for the year		**1,400,176**	2,212,986
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation gains on property and equipment and land use rights transferred to investment properties	19	**–**	83,129
Items that may be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets	19	**344**	132
Other comprehensive income for the year, net of tax		**344**	83,261
Total comprehensive income for the year		**1,400,520**	2,296,247
Profit/(loss) attributable to:			
Owners of the Company		**1,403,536**	2,193,852
Non-controlling interests		**(3,360)**	19,134
		1,400,176	2,212,986
Total comprehensive income attributable to:			
Owners of the Company		**1,403,880**	2,272,133
Non-controlling interests		**(3,360)**	24,114
		1,400,520	2,296,247
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB cents per share)	31		
– Basic		**35.00**	54.71
– Diluted		**34.98**	54.71

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Dividends	32	**–**	320,773

The notes on pages 70 to 150 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					
	Share capital and premium RMB'000 (Note 18)	Other reserves RMB'000 (Note 19)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2013						
Balance at 1 January 2013	3,035,471	488,132	12,515,461	16,039,064	460,376	16,499,440
Comprehensive income						
– Profit/(loss) for the year	–	–	1,403,536	1,403,536	(3,360)	1,400,176
– Other comprehensive income for the year	–	344	–	344	–	344
Total comprehensive income for the year	–	344	1,403,536	1,403,880	(3,360)	1,400,520
Transactions with owners						
– Dividends (Note 32)	–	–	(320,773)	(320,773)	(11,321)	(332,094)
– Transfer	–	(4,780)	4,780	–	–	–
– Changes in ownership interests in subsidiaries without change of control (Note 38)	–	8,481	–	8,481	9,293	17,774
– Capital contribution from non-controlling interests	–	–	–	–	54,000	54,000
– Pre – IPO Share Option Scheme	–	(13,589)	18,023	4,434	–	4,434
– Share Award Scheme	–	2,059	–	2,059	–	2,059
Total transactions with owners	–	(7,829)	(297,970)	(305,799)	51,972	(253,827)
Appropriation to statutory reserves (Note 19)	–	31,817	(31,817)	–	–	–
Balance at 31 December 2013	3,035,471	512,464	13,589,210	17,137,145	508,988	17,646,133
Year ended 31 December 2012						
Balance at 1 January 2012	3,037,979	400,150	10,562,310	14,000,439	404,891	14,405,330
Comprehensive income						
– Profit for the year	–	–	2,193,852	2,193,852	19,134	2,212,986
– Other comprehensive income for the year	–	78,281	–	78,281	4,980	83,261
Total comprehensive income for the year	–	78,281	2,193,852	2,272,133	24,114	2,296,247
Transactions with owners						
– Dividends (Note 32)	–	–	(240,580)	(240,580)	–	(240,580)
– Capital contribution from non-controlling interests	–	–	–	–	31,371	31,371
– Repurchase of shares of the Company (Note 18 (a))	(2,508)	–	–	(2,508)	–	(2,508)
– Pre-IPO Share Option Scheme (Note 19)	–	9,580	–	9,580	–	9,580
Total transactions with owners	(2,508)	9,580	(240,580)	(233,508)	31,371	(202,137)
Appropriation to statutory reserves (Note 19)	–	121	(121)	–	–	–
Balance at 31 December 2012	3,035,471	488,132	12,515,461	16,039,064	460,376	16,499,440

The notes on pages 70 to 150 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	33	**(381,755)**	746,183
PRC corporate income tax paid		**(243,407)**	(258,552)
PRC land appreciation tax paid		**(240,675)**	(249,483)
Interest paid		**(1,272,896)**	(1,111,462)
Cash used in operating activities – net		**(2,138,733)**	(873,314)
Cash flows from investing activities			
Purchase of property and equipment		**(198,414)**	(96,335)
Payments of construction fee of investment properties		**(962,695)**	(664,312)
Purchase of land use rights		**–**	(41,655)
Net proceeds from disposals of property and equipment		**4,032**	9,117
Proceeds from disposal of investment properties		**132,206**	–
Collection of entrusted loans		**270,000**	270,000
Payment of entrusted loans		**–**	(270,000)
Capital contribution to an associate		**(37,000)**	–
Purchase of available-for-sale financial assets		**(13,995)**	(16,304)
Interest income from loans to third parties		**21,702**	19,894
Income distribution from available-for-sale financial assets		**3,418**	–
Collection of cash advances by related parties		**2,022**	40,317
Progressive proceeds from disposal of subsidiaries		**51,450**	61,494
Cash used in investing activities – net		**(727,274)**	(687,784)
Cash flows from financing activities			
Repurchase of shares of the Company		**–**	(2,508)
Acquisition of additional interests in a subsidiary		**(2,000)**	–
Capital contributions from non-controlling interests		**54,000**	31,371
Proceeds from borrowings		**12,347,895**	5,622,524
Repayments of borrowings		**(6,949,350)**	(3,946,414)
Repurchase of senior notes		**(11,856)**	–
Decrease/(increase) in guarantee deposits		**110,869**	(91,227)
Dividends paid to owners of the Company		**(320,773)**	(240,580)
Dividends paid to non-controlling interests		**(11,321)**	–
Cash advances from related parties		**774,951**	351,175
Repayments of cash advances to related parties		**(139,025)**	(122,456)
Cash generated from financing activities – net		**5,853,390**	1,601,885
Net increase in cash and cash equivalents		**2,987,383**	40,787
Cash and cash equivalents at beginning of the year	17	**1,452,217**	1,411,182
Effect of foreign exchange rate changes		**(5,151)**	248
Cash and cash equivalents at end of the year	17	**4,434,449**	1,452,217

The notes on pages 70 to 150 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General Information

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together the "Group") is principally engaged in property development, property investment, property management, and other property development related services in the People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 October 2009.

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 12 March 2014.

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of these consolidated financial statements in conformity with HKFRS 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 these consolidated financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group

Amendment to HKAS 1	Financial statements presentation regarding other comprehensive income
Amendment to HKFRS10, 11 and 12	Transition guidance
Annual improvements project	Annual improvements 2009-2011 cycle
HKFRS 10	Consolidated financial statements
HKAS 27 (revised 2011)	Separate financial statements
HKFRS 11	Joint arrangements
HKAS 28 (revised 2011)	Investments in associates and joint ventures
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendment to HKFRS 7	Financial instruments: Disclosures' on asset and liability offsetting

The adoption of the above amended standards did not have any material impact on the consolidated financial statements except for disclosure.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) *New and amended standards and interpretations not relevant to the Group*

Amendment to HKFRS 1	First time adoption on government loans
Amendment to HKAS 19 (revised 2011)	Employee benefits
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

(c) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Investment entities	1 January 2014
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
Amendment to HKAS 19 (revised 2011)	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual improvements project	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements project	Annual improvements 2011-2013 cycle	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 9	Financial instruments	To be determined

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of Significant Accounting Policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.3 Associates (continued)

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of comprehensive income.

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

Gain or losses on dilution of equity interest in associates are recognised in the statement of comprehensive income.

2.4 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

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

2 Summary of Significant Accounting Policies (continued)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance income/(costs) – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'exchange (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group entities*

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

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.7 Property, plant and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is 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 charged to the profit or loss during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the consolidated statement of comprehensive income.

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

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.8 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

2 Summary of Significant Accounting Policies (continued)

2.8 Investment property (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

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

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.8 Investment property (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

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

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation reserves, with any remaining decrease charged to the profit or loss.

2.9 Impairment of non-financial assets

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

2.10 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

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

2 Summary of Significant Accounting Policies (continued)

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise 'trade and other receivables', 'amounts due from related parties', 'restricted cash' and 'cash and cash equivalents' in the balance sheets (Note 2.14 and Note 2.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains/(losses) – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within 'other gains/(losses) – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the group's right to receive payments is established.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

2 Summary of Significant Accounting Policies (continued)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.18 Borrowings and borrowing costs

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

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of Significant Accounting Policies (continued)

2.19 Current and deferred income tax (continued)

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

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

2.20 Employee benefits

(a) *Retirement benefits*

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

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.20 Employee benefits (continued)

(a) Retirement benefits (continued)

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

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

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

(b) Employee leave entitlements

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

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

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 Summary of Significant Accounting Policies (continued)

2.21 Share-based payments (continued)

(a) *Equity-settled share-based payment transactions (continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.22 Provisions and contingent liabilities

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of Significant Accounting Policies (continued)

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services income, stated net of discounts returns and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) *Sales of properties*

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

(b) *Rental income*

Rental income of property leasing under operating leases is recognised on a straight-line basis over the term of the lease.

(c) *Property management*

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(d) *Hotel operations*

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered and services are rendered.

(e) *Retail sales*

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

(f) *Interest income*

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

(g) *Dividend income*

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

2 Summary of Significant Accounting Policies (continued)

2.24 Leases

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

The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income is recognised in the profit or loss on a straight-line basis over the period of the lease.

2.25 Dividend distribution

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

2.26 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3 Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain cash advance from related parties and borrowings are denominated in foreign currencies. As at 31 December 2013, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss, available-for-sale financial assets, other payables and borrowings dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

Notes to the Consolidated Financial Statements

3 Financial Risk Management (continued)

3.1 Financial risk factor (continued)

(a) Foreign exchange risk (continued)

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group 31 December		Company 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Monetary assets				
– HK$	**91,303**	150,776	**44,653**	145,708
– US$	**148,624**	5,740	**7,639**	60
	239,927	156,516	**52,292**	145,768
Monetary liabilities				
– HK$	**1,225,945**	1,290,701	**1,148,200**	832,681
– US$	**3,385,295**	1,544,654	**3,367,392**	1,544,654
	4,611,240	2,835,355	**4,515,592**	2,377,335

The following table shows the sensitivity analysis of a 1% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% change in foreign currency rates. If there is a 1% increase/decrease in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Increase/(decrease) in profit for the year:				
1% increase in RMB against the relevant currencies				
– HK$	**11,346**	11,399	**11,035**	6,870
– US$	**32,367**	15,389	**33,598**	15,446
	43,713	26,788	**44,633**	22,316
1% decrease in RMB against the relevant currencies				
– HK$	**(11,346)**	(11,399)	**(11,035)**	(6,870)
– US$	**(32,367)**	(15,389)	**(33,598)**	(15,446)
	(43,713)	(26,788)	**(44,633)**	(22,316)

3 Financial Risk Management (continued)

3.1 Financial risk factor (continued)

(b) *Interest rate risk*

Other than deposit held in banks and entrusted loans to third parties, the Group does not have other significant interest bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flows interest rate risk. At 31 December 2013, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB87,312,000 (2012: RMB81,713,000) mainly as a result of larger/smaller interest charges on borrowings at variable rates, most of which have been capitalized in qualified assets.

(c) *Credit risk*

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank and financial institutions and trade and other receivables.

For banks and financial institutions, only those with sound credit ratings are accepted. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low.

For trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group also regularly reviews the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 34.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits refundable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from trade and other receivables is set out in Note 11.

Notes to the Consolidated Financial Statements

3 Financial Risk Management (continued)

3.1 Financial risk factor (continued)

(d) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The directors have prepared cash flows projections for the year ending 31 December 2014. Key assumptions used in the preparation of the cash flows projections include:

(1) Unit selling price in 2014 is not expected to fluctuate significantly from that of 2013. The contracted sales in 2014 are expected to be derived from 26 projects over 18 cities within the PRC.

(2) The Group could continue to obtain new bank borrowings by way of pledging its land use rights and properties to finance the constructions of properties according to the Group's business development plan. As of 31 December 2013, the Group has undrawn borrowing facilities of RMB213,500,000 (Note 20).

(3) The Group will closely monitor the cash flows and would adjust the timing of acquiring of new land bank to maintain flexibility towards the uncertainty in the PRC real estate market.

Management seeks to effectively manage future cash flows and reduce exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting development time table to ensure that the Group has available resources to finance projects of the Group, implementing cost control measures, adopting more flexible approach to pricing for property sales, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of certain investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements. The Group, will base on its assessment of the relevant future costs and benefits, pursue such plans as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial Risk Management (continued)

3.1 Financial risk factor (continued)

(d) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
The Group					
At 31 December 2013					
Borrowings (Note a)	**5,895,079**	**6,463,430**	**5,129,330**	**2,803,932**	**20,291,771**
Trade and other payables (Note b)	**4,653,628**	**–**	**–**	**–**	**4,653,628**
Guarantees for borrowings of a joint venture	**76,329**	**76,329**	**1,032,471**	**–**	**1,185,129**
	10,625,036	**6,539,759**	**6,161,801**	**2,803,932**	**26,130,528**
At 31 December 2012					
Borrowings (Note a)	4,200,071	4,483,763	3,751,233	632,909	13,067,976
Trade and other payables (Note b)	3,712,769	–	–	–	3,712,769
Guarantees for borrowings of a joint venture	45,262	45,262	658,136	–	748,660
	7,958,102	4,529,025	4,409,369	632,909	17,529,405
The Company					
At 31 December 2013					
Borrowings (Note a)	**2,650,683**	**3,076,154**	**1,650,974**	**–**	**7,377,811**
Other payables and accruals	**42,562**	**–**	**–**	**–**	**42,562**
Amounts due to subsidiaries	**619,479**	**–**	**–**	**–**	**619,479**
Guarantees for borrowings of subsidiaries	**916,104**	**868,424**	**724,040**	**–**	**2,508,568**
	4,228,828	**3,944,578**	**2,375,014**	**–**	**10,548,420**
At 31 December 2012					
Borrowings	530,834	2,045,023	1,528,163	–	4,104,020
Other payables and accruals	36,135	–	–	–	36,135
Amounts due to subsidiaries	490,488	–	–	–	490,488
Guarantees for borrowings of subsidiaries	90,079	136,008	190,019	–	416,106
	1,489,413	2,181,031	1,718,182	–	5,388,626

Notes:

a. Interest on borrowings is calculated on borrowings held as at 31 December 2013 and 2012. Floating-rate interest is estimated using the current interest rate as at 31 December 2013 and 2012 respectively.

b. It represents payables excluding salaries payable and other taxes payables.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments (Note 34).

Notes to the Consolidated Financial Statements

3 Financial Risk Management (continued)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 17) and less guarantee deposits for bank borrowings included in restricted cash (Note 16(c)). Total borrowings comprise senior notes (Note 20), bank borrowings (Note 20), other borrowings (Note 20) and borrowings under sale and lease back agreement (Note 20). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Total borrowings (Note 20)	**16,430,159**	11,054,026
Less: cash and cash equivalents (Note 17)	**(4,434,449)**	(1,452,217)
Less: guarantee deposits for bank borrowings (Note 16(c))	**(116,933)**	(227,802)
Net debt	**11,878,777**	9,374,007
Total equity	**17,646,133**	16,499,440
Total capital	**29,524,910**	25,873,447
Gearing ratio	**40.2%**	36.2%

The increase in the gearing ratio during 2013 resulted primarily from the additional bank borrowings in 2013 and the senior notes issued in January 2013 and May 2013, respectively.

3.3 Fair value estimation

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

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

3 Financial Risk Management (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2013 and 2012. See Note 8 for disclosures of the investment properties that are measured at fair value. No financial liabilities are measured at fair value at 31 December 2013 (2012: Nil)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2013				
Available-for-sale financial assets (Note 13)	**–**	**14,500**	**16,301**	**30,801**
Financial assets at fair value through profit or loss	**14,600**	**–**	**–**	**14,600**
Derivative financial instruments (Note 20(a)(ii))	**–**	**11,406**	**–**	**11,406**
Total assets	**14,600**	**25,906**	**16,301**	**56,807**
At 31 December 2012				
Available-for-sale financial assets	–	–	16,462	16,462
Financial assets at fair value through profit or loss	1,750	–	–	1,750
Total assets	1,750	–	16,462	18,212

There were no transfers between levels during the year.

(a) Financial instruments in level 1

The fair value of the Group's financial assets at fair value through profit or loss, which are mainly listed securities in Hong Kong, are based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

(b) Financial instruments in level 2

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

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

(c) Financial instruments in level 3

The fair value of financial instrument included in level 3 is disclosed in Note 13(a).

Notes to the Consolidated Financial Statements

4 Critical Accounting Estimates and Judgements

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

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate 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 impact the income tax and deferred tax provision in the year in which such determination is made.

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

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

(c) Provisions for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for properties under development and properties held for sale at 31 December 2013.

4 Critical Accounting Estimates and Judgements (continued)

(d) Provision for property and equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property and equipment have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculation and valuations require the use of judgements and estimates.

(e) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

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

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

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

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

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.8.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2013 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2013 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 8.

5 Segment Information

The executive directors, as the chief operating decision-makers ("CODM") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Notes to the Consolidated Financial Statements

5 Segment Information (continued)

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Sales of properties	6,243,864	4,975,660
Rental income of investment properties	349,217	320,760
Income of property management services	351,903	187,620
Income of other property development related services	311,954	387,723
	7,256,938	5,871,763

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

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	6,243,864	349,217	392,963	311,954	–	7,297,998
Inter-segment revenue	–	–	(41,060)	–	–	(41,060)
Revenue	6,243,864	349,217	351,903	311,954	–	7,256,938
Segment results	1,275,590	716,817	1,313	(60,644)	(2,633)	1,930,443
Other gains – net						95,370
Share of profit of investments accounted for using the equity method (Note 15)						108,365
Unallocated operating costs						(191,611)
Finance income – net						121,023
Profit before income tax						2,063,590
Income tax expense						(663,414)
Profit for the year						1,400,176
Depreciation (Note 6)	14,344	–	2,171	93,936	–	110,451
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	13,863	–	13,863
Fair value gains on investment properties – net (Note 8)	–	530,672	–	–	–	530,672

5 Segment Information (continued)

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

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	4,975,660	320,760	254,624	387,723	–	5,938,767
Inter-segment revenue	–	–	(67,004)	–	–	(67,004)
Revenue	4,975,660	320,760	187,620	387,723	–	5,871,763
Segment results	1,603,003	1,924,737	(16,653)	(55,529)	(3,290)	3,452,268
Interest income on entrusted loans (Note 26)						19,894
Losses from disposal of subsidiaries (Note 26)						(38,451)
Share of profit of investments accounted for using the equity method (Note 15)						134,079
Unallocated operating costs						(128,103)
Finance costs – net						(29,389)
Profit before income tax						3,410,298
Income tax expense						(1,197,312)
Profit for the year						2,212,986
Depreciation (Note 6)	17,861	–	2,622	92,939	–	113,422
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	17,160	–	17,160
Fair value gains on investment properties – net (Note 8)	–	1,743,684	–	–	–	1,743,684

Notes to the Consolidated Financial Statements

5 Segment Information (continued)

Segment assets and liabilities, interests in a joint venture and an associate as at 31 December 2013 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	**26,338,637**	**20,587,250**	**398,482**	**2,990,797**	**(2,881,188)**	**47,433,978**
Other assets						**1,068,939**
Total assets						**48,502,917**
Segment liabilities	**7,815,385**	**389,283**	**366,803**	**2,092,924**	**(2,881,188)**	**7,783,207**
Other liabilities						**23,073,577**
Total liabilities						**30,856,784**
Capital expenditure	**25,539**	**983,888**	**52,982**	**191,395**	**–**	**1,253,804**
Interests in a joint venture	**1,112,150**	**–**	**–**	**–**	**–**	**1,112,150**
Interests in an associate	**36,822**	**–**	**–**	**–**	**–**	**36,822**

Segment assets and liabilities and interests in a joint venture as at 31 December 2012 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	21,534,492	18,087,065	232,470	2,325,537	(2,684,709)	39,494,855
Other assets						712,750
Total assets						40,207,605
Segment liabilities	5,676,278	1,424,920	217,595	2,307,631	(2,684,709)	6,941,715
Other liabilities						16,766,450
Total liabilities						23,708,165
Capital expenditure	4,118	1,166,402	2,027	195,795	–	1,368,342
Interests in a joint venture	1,012,423	–	–	–	–	1,012,423

5 Segment Information (continued)

Segment assets are reconciled to total assets as follows:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Segment assets	**47,433,978**	39,494,855
Other assets		
– Prepaid taxes	**241,216**	195,964
– Deferred income tax assets	**203,065**	167,094
– Unallocated cash and cash equivalents and restricted cash	**570,208**	297,944
– Other receivables from related parties (Note 36(d))	**23,347**	25,369
– Unallocated property and equipment	**8,049**	9,232
– Other corporate assets	**23,054**	17,147
Total assets	**48,502,917**	40,207,605

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Segment liabilities	**7,783,207**	6,941,715
Other liabilities		
– Current income tax liabilities	**2,183,267**	2,100,335
– Deferred income tax liabilities	**3,187,587**	3,009,963
– Current borrowings	**4,575,423**	3,322,250
– Non-current borrowings	**11,854,736**	7,731,776
– Other payables to related parties (Note 36(d))	**1,167,351**	531,425
– Other corporate liabilities	**105,213**	70,701
Total liabilities	**30,856,784**	23,708,165

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6), land use rights (Note 7) and investment properties (Note 8).

Notes to the Consolidated Financial Statements

6 Property and Equipment – Group

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2013					
Opening net book amount	**138,502**	**1,299,575**	**24,470**	**116,419**	**1,578,966**
Additions	**176,615**	**29,184**	**9,075**	**14,844**	**229,718**
Transfer	**(162,136)**	**162,136**	**–**	**–**	**–**
Disposals	**–**	**(1,720)**	**(621)**	**(1,691)**	**(4,032)**
Depreciation	**–**	**(67,264)**	**(10,115)**	**(33,072)**	**(110,451)**
Closing net book amount	**152,981**	**1,421,911**	**22,809**	**96,500**	**1,694,201**
At 31 December 2013					
Cost	**152,981**	**1,595,193**	**63,513**	**202,690**	**2,014,377**
Accumulated depreciation	**–**	**(173,282)**	**(40,704)**	**(106,190)**	**(320,176)**
Net book amount	**152,981**	**1,421,911**	**22,809**	**96,500**	**1,694,201**
Year ended 31 December 2012					
Opening net book amount	86,276	1,389,638	35,542	164,938	1,676,394
Additions	121,833	–	2,747	4,073	128,653
Transfer from investment properties (Note 8)	–	84,741	–	–	84,741
Transfer to investment properties (Note 8)	–	(161,631)	–	–	(161,631)
Transfer	(59,692)	59,692	–	–	–
Disposals	–	(2,322)	(4,904)	(1,891)	(9,117)
Depreciation	–	(70,543)	(8,915)	(33,964)	(113,422)
Disposal of a subsidiary	(9,915)	–	–	(16,737)	(26,652)
Closing net book amount	138,502	1,299,575	24,470	116,419	1,578,966
At 31 December 2012					
Cost	138,502	1,406,862	55,385	191,887	1,792,636
Accumulated depreciation	–	(107,287)	(30,915)	(75,468)	(213,670)
Net book amount	138,502	1,299,575	24,470	116,419	1,578,966

6 Property and Equipment – Group (continued)

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Cost of sales	**80,913**	88,320
Selling and marketing costs	**1,689**	1,792
Administrative expenses	**27,849**	23,310
	110,451	113,422

As at 31 December 2013, properties and equipment with net book amounts totalling RMB820,180,000 (2012: RMB1,075,211,000), were pledged as collateral for the Group's borrowings (Note 20).

Certain equipment of the Group with the net book amount of RMB81,808,000 (31 December 2012: RMB86,537,000) where the Group was a lessee were held under non-cancellable finance lease agreement. The lease terms are 3 years (Note 20).

Borrowing costs of RMB13,184,000 have been capitalised in assets under construction for the year ended 31 December 2013 (2012: RMB33,570,000).

The capitalisation rate of borrowings for the year ended 31 December 2013 was 9.25% (2012: 10.22%).

7 Land Use Rights – Group

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening net book amount	**543,527**	648,722
Additions	**40,198**	73,287
Transfer from investment properties	**–**	140,452
Transfer to investment properties	**–**	(98,884)
Disposal of subsidiaries	**–**	(202,890)
Amortisation charges	**(13,863)**	(17,160)
Ending net book amount	**569,862**	543,527

Notes to the Consolidated Financial Statements

7 Land Use Rights – Group (continued)

	31 December 2013 RMB'000	31 December 2012 RMB'000
Land use rights are outside Hong Kong, held on leases of:		
Between 10 to 50 years	**569,862**	543,527

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2013, land use rights of RMB164,599,000 (2012: RMB104,426,000) were pledged as collateral for the Group's borrowings (Note 20).

8 Investment Properties – Group

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2013			
At 1 January 2013	**16,196,318**	**1,951,526**	**18,147,844**
Additions	**191,960**	**791,928**	**983,888**
Transfers	**1,607,930**	**(1,607,930)**	**–**
Fair value gains – net	**509,566**	**21,106**	**530,672**
Disposals	**(72,074)**	**–**	**(72,074)**
At 31 December 2013	**18,433,700**	**1,156,630**	**19,590,330**
Total gains or losses for the year included in profit or loss, under 'fair value gains on investment properties – net'	**509,566**	**21,106**	**530,672**
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	**505,558**	**21,106**	**526,664**

8 Investment Properties – Group (continued)

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2012			
At 1 January 2012	14,017,695	1,007,664	15,025,359
Additions through the settlement of prepayments for acquisition of properties	582,000	–	582,000
Subsequent expenditure on investment properties	125,160	459,242	584,402
Transfers from property held for sale	104,237	–	104,237
Transfers from property and equipment and land use rights – net	108,162	–	108,162
Transfers	589,779	(589,779)	–
Fair value gains – net	669,285	1,074,399	1,743,684
At 31 December 2012	16,196,318	1,951,526	18,147,844

(a) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Rental income (Note 5)	**349,217**	320,760
Direct operating expenses arising from investment properties that generate rental income	**(132,259)**	(89,525)
Direct operating expenses arising from investment properties that do not generate rental income	**(20,972)**	(67,074)

Investment properties as at 31 December 2013 are held in the PRC on leases between 10 to 50 years (2012: same).

Borrowing costs of RMB96,816,000 have been capitalised in investment properties under construction for the year ended 31 December 2013 (2012: RMB80,290,000). The capitalisation rate of borrowings for the year ended 31 December 2013 was 9.25% (2012: 10.22%).

As at 31 December 2013, investment properties of RMB16,753,735,000 (31 December 2012: RMB10,532,320,000) were pledged as collateral for the Group's borrowings (Note 20).

Certain equipment affiliated with the investment properties of the Group of RMB132,538,000 (31 December 2012: RMB132,538,000) where the Group is a lessee under non-cancellable sale and lease back agreement. The lease terms are 3 years (Note 20).

Investment properties are shopping malls mainly located in Henan Province, Fujian Province, Shandong Province, Jiangsu Province, Anhui Province, Shanghai and Chongqing.The fair value of the investment properties are expected to be realised through rental income.

Notes to the Consolidated Financial Statements

8 Investment Properties – Group (continued)

(i) Fair value hierarchy

An independent valuation of the Group's completed investment properties and certain investment properties under construction was performed by the valuer, Savills Valuation and Professional Services Limited, to determine the fair value of the investment properties as at 31 December 2013. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2013, as certain of significant inputs used in the determination of fair value of investment properties are derivate from unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.8).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

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

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2013, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

At each financial year end the finance department:

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

(iii) Valuation techniques

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair values of completed properties are generally derived using the term and reversion method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysis prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

8 Investment Properties – Group (continued)

(iii) Valuation techniques (continued)

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques during the year. Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value at 31 December 2013 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	18,433,700	Term and reversionary method	Term yields	3.5%–7.5%	The higher the term yields, the lower the fair value
			Reversion yields	5.5%–8%	The higher the reversion yields, the lower the fair value
			Market rents(RMB/ square meter ("sq.m")/ month)	79–346	The higher the market rents, the higher the fair value
Investment properties under construction	1,156,630	Residual method	Market rents(RMB/ sq.m/month)	90–140	The higher the market rents, the higher the fair value
			Market yields	5.5%–6.5%	The higher the market yields, the lower the fair value
			Budgeted construction costs to incur (RMB/sq.m)	2,559–3,071	The higher the budgeted construction costs to incurred, the lower the fair value
			Developer's profit (%)	10%–15%	The higher the developer's profit, the lower the fair value

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

Notes to the Consolidated Financial Statements

9 Properties under Development – Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**2,863,981**	2,162,668
– Interests capitalised	**2,097,592**	1,478,520
– Land use rights	**6,409,437**	7,148,290
	11,371,010	10,789,478
Land use rights:		
Outside Hong Kong, held on leases of:		
– Over 50 years	**3,622,157**	4,263,070
– Between 10 to 50 years	**2,787,280**	2,885,220
	6,409,437	7,148,290

The properties under development are all located in the PRC and expected to be completed within an operating cycle, most of which are expected to be completed within 12 months.

As at 31 December 2013, properties under development of approximately RMB4,493,367,000 (2012: RMB5,507,786,000) were pledged as collateral for the Group's borrowings (Note 20).

The capitalisation rate of borrowings for the year ended 31 December 2013 was 9.25% (2012: 10.22%).

10 Completed Properties Held for Sale – Group

The completed properties held for sale are all located in the PRC.

As at 31 December 2013, completed properties held for sale of approximately RMB1,132,059,000 (2012: RMB1,458,928,000) were pledged as collateral for the Group's borrowings (Note 20).

11 Trade and Other Receivables – Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade receivables (Note (a))	**1,113,914**	987,888
– Related parties (Note 36(d))	**53,116**	78,082
– Third parties	**1,060,798**	909,806
Less: provision for impairment of trade receivables (Note (a))	**(11,735)**	(19,192)
Trade receivables – net	**1,102,179**	968,696
Deposits for acquisition of land use rights	**376,518**	15,000
Other receivables from:	**510,690**	468,939
– Related parties (Note 36(d))	**23,347**	25,369
– Third parties	**487,343**	443,570
	1,989,387	1,452,635

11 Trade and Other Receivables – Group (continued)

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. As at 31 December 2013 and 2012, the ageing analysis of trade receivables of the Group based on billing date is as follows:

	31 December	
	2013 RMB'000	2012 RMB'000
Not due	**342,009**	337,271
Within 90 days	**377,421**	407,688
Over 90 days	**394,484**	242,929
	1,113,914	987,888

As at 31 December 2013, trade receivables of RMB70,823,000 (2012: RMB73,904,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty. The overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

	31 December	
	2013 RMB'000	2012 RMB'000
Over 90 days	**70,823**	73,904

As of 31 December 2013, trade receivables of RMB15,531,000 were impaired (2012: RMB55,190,000) and provision of RMB11,735,000 were provided (2012: RMB19,192,000). The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At 1 January	**19,192**	–
Provision for receivables impairment	**2,694**	19,192
Receivables written off during the year as uncollectible	**(10,151)**	–
At 31 December	**11,735**	19,192

(b) As at 31 December 2013 and 2012, the fair value of trade and other receivables approximated their carrying amounts.

(c) Trade and other receivables are interest free. The Group's trade and other receivables are denominated in RMB. Except for those disclosed in Note 11 (a), no material trade and other receivables were impaired or past due as at 31 December 2013 and 2012.

(d) The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivables after deducting any impairment allowance, and guarantees provided to third parties.

Notes to the Consolidated Financial Statements

12 Prepayments – Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Acquisition of land use rights (Note (a))	**3,249,109**	1,352,736
Construction materials – third parties	**54,952**	18,545
	3,304,061	1,371,281

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 31 December 2013. The land acquisition costs which are contracted but not provided for are included in commitments (Note 35(a)).

13 Available-For-Sale Financial Assets – Group

Available-for-sale financial assets include the following:

	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Opening amount as at 1 January	**16,462**	–
Additions	**13,995**	16,304
Revaluation gains – net	**344**	158
Closing amount as at 31 December	**30,801**	16,462

Available-for-sale financial assets include the following:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted securities:		
– Unlisted private trust fund denominated in HK$ (Note (a))	**16,301**	16,462
– Wealth management product ("WMP") denominated in RMB (Note (b))	**14,500**	–
	30,801	16,462

(a) The fair value of unlisted private trust fund is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the private trust fund.

(b) The WMP is measured at fair value which is derived from quoted prices of active market and maximising the use of observable inputs where available.

The maximum exposure to credit risk at the reporting date is the carrying value of the unlisted private trust fund and WMP classified as available-for-sale financial assets. There are no commitment and contingent liabilities relating to the Group's interests in the available-for-sale financial assets.

These financial assets are not past due or impaired as of 31 December 2013 and 2012.

14 Interests in and Amounts due from/(to) Subsidiaries – Company

(a) Interests in and amounts due from/(to) subsidiaries

	31 December 2013 RMB'000	31 December 2012 RMB'000
Non-current portions		
Investments at cost – unlisted shares	**410,005**	410,005
Deemed capital contributions arising from share-based compensation	**69,730**	63,237
Amounts due from subsidiaries	**5,810,177**	5,748,082
	6,289,912	6,221,324
Current portions		
Amounts due from subsidiaries	**3,664,512**	1,079,521
Amounts due to subsidiaries	**(619,479)**	(832,365)
	3,045,033	247,156

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

The deemed capital contribution relating to share based payment relates to certain shares and share options granted by the Company to employees of subsidiary undertakings in the Group. Refer to Note 19 for further details on the Group's share-based compensation plan.

The amounts due from subsidiaries included in non-current portions are unsecured, interest-free and the Company does not expect repayment in the foreseeable future.

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

(b) The non-controlling interests in respect of each subsidiary are not material to the Group.

Notes to the Consolidated Financial Statements

15 Investments Accounted for Using the Equity Method

The amounts recognised in the balance sheet are as follows:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Non-current portion		
Associate	**36,822**	–
Joint venture	**1,112,150**	1,012,423
	1,148,972	1,012,423
Current portion (Note 36(d))		
Amounts due to an associate	**42,000**	–
Amounts due to a joint venture	**1,014,706**	239,755
	1,056,706	239,755

Amounts due to an associate and a joint venture are unsecured, interest-free and repayable on demand.

The amounts recognised in the statement of comprehensive income are as follows:

	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Associate (Note (a))	**(218)**	–
Joint venture (Note (b))	**108,583**	134,079
	108,365	134,079

(a) The associate of the Group as at 31 December 2013, which, in the opinion of the directors, is not material to the Group.

(b) Joint venture

	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
At 1 January	**1,012,423**	887,131
Share of profit	**108,583**	134,079
Elimination of unrealised profits	**(8,856)**	(8,787)
At 31 December	**1,112,150**	1,012,423

15 Investments Accounted for Using the Equity Method (continued)

(b) Joint venture (continued)

(i) Nature of investment in the joint venture 2013 and 2012

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Powerlong") 天津寶龍金駿房地產開發有限責任公司	PRC	65	Equity

The joint venture listed above is a private company and there is no quoted market price available for its shares and has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

(ii) Commitments and contingent liabilities in respect of the joint venture

	31 December 2013 RMB'000	31 December 2012 RMB'000
Proportionate interest of commitments	**368,776**	336,536
Proportionate interest of financial guarantee contracts	**38,230**	13,273

There are no other contingent liabilities relating to the Group's interest in the joint venture, and no other contingent liabilities of the joint venture itself.

Notes to the Consolidated Financial Statements

15 Investments Accounted for Using the Equity Method (continued)

(b) Joint venture (continued)

(iii) Summarised financial information for the joint venture

Set out below is the summarised financial information for the joint venture which is accounted for using the equity method.

Summarised balance sheet	31 December 2013 RMB'000	31 December 2012 RMB'000
Current		
Cash and cash equivalents	**84,956**	73,820
Other current assets excluding cash	**2,914,355**	1,656,082
Total current assets	**2,999,311**	1,729,902
Financial liabilities excluding trade payables	**–**	–
Other current liabilities including trade payables	**(1,273,034)**	(385,309)
Total current liabilities	**(1,273,034)**	(385,309)
Non-current		
Total non-current assets	**1,081,521**	949,037
Financial liabilities	**(993,880)**	(589,360)
Other liabilities	**(154,022)**	(148,194)
Total non-current liabilities	**(1,147,902)**	(737,554)
Net assets	**1,659,896**	1,556,076

Summarised statement of comprehensive income	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Revenue	**313,870**	–
Cost of goods sold	**(222,164)**	–
Fair value gains from investment properties	**102,276**	185,918
Interest income	**1,082**	570
Interest expense	**(40)**	(24)
Profit from continuing operations	**175,838**	163,529
Income tax expense	**(72,018)**	(40,882)
Post-tax profit from continuing operations	**103,820**	122,647
Other comprehensive income	**–**	–
Total comprehensive income	**103,820**	122,647
Dividends received from the joint venture	**–**	–

There are no material differences in accounting policies between the Group and the joint venture.

15 Investments Accounted for Using the Equity Method (continued)

(b) Joint venture (continued)

(iv) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the joint venture.

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening net assets 1 January	**1,556,076**	1,576,623
Profit for the year	**103,820**	122,647
Other comprehensive income	**–**	–
Distribution to the joint venture partner of the Group	**–**	(143,194)
Closing net assets	**1,659,896**	1,556,076
Less: Joint venture partner interests	**(538,890)**	(534,866)
Elimination of unrealised profits	**(8,856)**	(8,787)
Interest in joint venture (carrying value)	**1,112,150**	1,012,423

16 Restricted Cash – Group

	31 December	
	2013 RMB'000	2012 RMB'000
Guarantee deposit for construction projects (Note (a))	**99,284**	85,934
Guarantee deposit for bank acceptance notes (Note (b))	**152,215**	227,827
Guarantee deposits for bank borrowings (Note (c))	**116,933**	227,802
Others	**10,076**	16,416
	378,508	557,979
Denominated in:		
– RMB	**371,461**	553,588
– HK$	**7,047**	4,391
	378,508	557,979

Notes to the Consolidated Financial Statements

16 Restricted Cash – Group (continued)

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 31 December 2013, the Group placed cash deposits of approximately RMB152,215,000 (2012: RMB227,827,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2013, the Group has placed cash deposits of approximately RMB116,933,000 (2012: RMB227,802,000) with designated banks as security for bank borrowings.

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

17 Cash and Cash Equivalents

	Group 31 December		Company 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Cash at bank and in hand:				
– Denominated in RMB	**4,250,744**	1,300,092	**–**	–
– Denominated in HK$	**35,081**	146,385	**31,554**	145,708
– Denominated in US$	**148,624**	5,740	**7,639**	60
	4,434,449	1,452,217	**39,193**	145,768

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

18 Share Capital and Premium – Group and Company

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Shares held for Share Award Scheme RMB'000	Total RMB'000
Authorised:						
As at 1 January 2012, 31 December 2012 and 31 December 2013	30,000,000,000	300,000,000				
Issued and fully paid:						
As at 1 January 2013 and 31 December 2013	4,048,013,000	40,480,130	35,936	3,084,256	(84,721)	3,035,471
As at 1 January 2012	4,051,079,000	40,510,790	35,961	3,086,739	(84,721)	3,037,979
Repurchase of shares of the Company	(3,066,000)	(30,660)	(25)	(2,483)	–	(2,508)
As at 31 December 2012	4,048,013,000	40,480,130	35,936	3,084,256	(84,721)	3,035,471

(a) Shares held for Share Award Scheme

On 2 December 2010 (the "Adoption Date"), the Board approved and adopted a share award scheme in which a number of selected employees of the Group are entitled to participate (the "Share Award Scheme"). The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administrating the Share Award Scheme. Under the sole discretion of the Board, the Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees until they are vested. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

Employees are not entitled to dividends on any awarded shares that are not yet transferred to them.

The Board will implement the Share Award Scheme in accordance with the terms of the Share Award Scheme rules including providing necessary funds to the Share Award Scheme Trust for the purchase of shares up to 2% of the issued share capital of the Company as of the Adoption Date.

As at 31 December 2013, the Share Award Scheme Trust holds 38,353,000 shares of the Company (2012: same) (Note 19(d)).

During the year ended 31 December 2013, the Share Award Scheme Trust received cash dividend amounting to RMB3,068,000 (2012: RMB2,301,000) which will be used to pay for the fees of the trust or acquire the Company's own ordinary shares (Note 32).

Notes to the Consolidated Financial Statements

19 Other Reserves

	Group						Company
	Merger reserve RMB'000 (Note (a))	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserve RMB'000 (Note(c) and Note (d))	Revaluation reserves RMB'000 (Note(e))	Transaction with non-controlling interests RMB'000	Total RMB'000	Share-based compensation reserve RMB'000 (Note(c) and Note (d))
Balance at 1 January 2013	337,203	9,411	63,237	78,281	–	488,132	63,237
Revaluation – net of tax	–	–	–	344	–	344	–
Transfer	–	(4,780)	–	–	–	(4,780)	–
Acquisition of additional interest of a subsidiary	–	–	–	–	8,481	8,481	–
Pre-IPO Share Option Scheme (Note (c))	–	–	(13,589)	–	–	(13,589)	(13,589)
Share Award Scheme (Note (d))	–	–	2,059	–	–	2,059	2,059
Appropriation to statutory reserves	–	31,817	–	–	–	31,817	–
Balance at 31 December 2013	337,203	36,448	51,707	78,625	8,481	512,464	51,707
Balance at 1 January 2012	337,203	9,290	53,657	–	–	400,150	53,657
Revaluation – net of tax	–	–	–	78,281	–	78,281	–
Pre-IPO Share Option Scheme (Note (c))	–	–	9,580	–	–	9,580	9,580
Appropriation to statutory reserves	–	121	–	–	–	121	–
Balance at 31 December 2012	337,203	9,411	63,237	78,281	–	488,132	63,237

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

For the year ended 31 December 2013, the statutory reserve of a subsidiary amounting to RMB4,780,000 was released to retained earnings when the subsidiary had been wound up.

(c) Pre-IPO Share Option Scheme

On 16 September 2009, the Company granted share options to the certain employees of the Group under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK$2.75 per share upon the listing date.

19 Other Reserves (cotninued)

(c) Pre-IPO Share Option Scheme (continued)

Particulars of share options as at 31 December 2013 and 2012 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at 31 December 2013	2012
2 years from 16 September 2009	15 September 2013	HK$2.475	–	5,544,000
3 years from 16 September 2009	15 September 2014	HK$2.475	**5,156,000**	5,544,000
4 years from 16 September 2009	15 September 2015	HK$2.475	**5,156,000**	5,544,000
5 years from 16 September 2009	15 September 2016	HK$2.475	**5,156,000**	5,544,000
			15,468,000	22,176,000

Movements in the number of share options outstanding are as follows:

	Year ended 31 December 2013	2012
At 1 January	**22,176,000**	31,660,000
Forfeited	**(1,224,000)**	(3,940,000)
Expired	**(5,484,000)**	(5,544,000)
At 31 December	**15,468,000**	22,176,000

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of options granted is HK$2.16 per option, which was determined using the Binomial Model by an independent valuer.

The total expense recognised for employee services received in respect of the Pre-IPO Share Option Scheme for the year ended 31 December 2013 was RMB4,434,000 (2012: RMB9,580,000).

(d) Share Award Scheme

Movements in the number of shares held for the Share Award Scheme for the years ended 31 December 2013 are as follows:

	Shares held for the Share Award Scheme	Awarded shares held by the Share Award Scheme Trust
At 1 January 2013	38,353,000	–
Granted to employees	(7,502,000)	7,502,000
Forfeited	444,000	(444,000)
At 31 December 2013	31,295,000	7,058,000
At 1 January 2012 and 31 December 2012	38,353,000	–

Notes to the Consolidated Financial Statements

19 Other Reserves (cotninued)

(d) Share Award Scheme (continued)

For the shares granted under the Share Award Scheme, the fair value of the employee services received in exchange for the grant of the awarded shares is recognised as an expense and credited to equity over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

The fair value of the awarded shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of the awarded shares.

The fair value of the awarded shares and their vesting period are as follows:

	As at 31 December 2013			
Date of grant	Market price at grant dates RMB/share	Vesting period	Total value of shares RMB'000	No. of share outstanding
6 June 2013	1.27	3 years	4,482	3,529,000
6 June 2013	1.27	4 years	4,482	3,529,000
			8,964	7,058,000

The total expense recognised for employee services received in respect of the Share Award Scheme for the year ended 31 December 2013 was RMB2,059,000 (2012: nil).

(e) Other comprehensive income

	Year ended 31 December 2013		
	Revaluation reserves RMB'000	Non-controlling interests RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale financial assets – gross (Note 13)	**344**	**–**	**344**
Tax charge	**–**	**–**	**–**
Total other comprehensive income – net of tax	**344**	**–**	**344**
Total tax charge – deferred income tax			**–**

19 Other Reserves (cotninued)

(e) Other comprehensive income (continued)

	Year ended 31 December 2012		
	Revaluation reserves RMB'000	Non-controlling interests RMB'000	Total other comprehensive income RMB'000
Items that will not be reclassified to profit or loss:			
Revaluation reserves of property and equipment and land use rights transferred to investment properties – gross	104,199	6,640	110,839
Tax charge	(26,050)	(1,660)	(27,710)
	78,149	4,980	83,129
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale financial assets – gross (Note 13)	158	–	158
Tax charge	(26)	–	(26)
	132	–	132
Total other comprehensive income – net of tax	78,281	4,980	83,261
Total tax charge – deferred income tax	–	–	(27,736)

Notes to the Consolidated Financial Statements

20 Borrowings

	Group 31 December		Company 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Borrowings included in non-current liabilities:				
Senior notes	**5,188,866**	2,882,764	**5,188,866**	2,882,764
– senior notes due January 2018 ("2018 Notes") (Note (a)(i))	**1,561,245**	–	**1,561,245**	–
– senior notes due May 2016 ("2016 Notes") (Note (a)(ii))	**797,644**	–	**797,644**	–
– senior notes due September 2015 ("2015 Notes") (Note (a)(iii))	**1,242,366**	1,287,259	**1,242,366**	1,287,259
– senior notes due March 2014 ("2014 Notes (I)") (Note (a)(iv))	**773,200**	762,824	**773,200**	762,824
– senior notes due September 2014 ("2014 Notes (II)") (Note (a)(v))	**814,411**	832,681	**814,411**	832,681
Bank borrowings	**9,511,021**	5,025,145	**563,780**	257,395
– secured (Note (b))	**9,511,021**	4,767,750	**563,780**	–
– unsecured	**–**	257,395	**–**	257,395
Other borrowings-secured (Note (c))	**455,000**	1,580,000	**–**	–
Borrowings under sale and lease back agreement – secured (Note (d))	**105,678**	169,743	**–**	–
Less: amounts due within one year	**(3,405,829)**	(1,925,876)	**(1,718,119)**	(243,321)
	11,854,736	7,731,776	**4,034,527**	2,896,838
Borrowings included in current liabilities:				
Bank borrowings	**1,094,221**	1,155,580	**333,790**	–
– secured (Note (b))	**1,043,721**	970,580	**333,790**	–
– unsecured	**50,500**	185,000	**–**	–
Other borrowings	**75,373**	240,794	**–**	–
– secured (Note (c))	**75,373**	185,127	**–**	–
– unsecured	**–**	55,667	**–**	–
Current portion of long-term borrowings	**3,405,829**	1,925,876	**1,718,119**	243,321
	4,575,423	3,322,250	**2,051,909**	243,321
Total borrowings	**16,430,159**	11,054,026	**6,086,436**	3,140,159

20 Borrowings (continued)

(a) Senior notes

(i) 2018 Notes

On 25 January 2013, the Company issued 11.25%, 5 years senior notes, with an aggregated nominal value of US$250,000,000 at 98.608% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$241,670,000 (equivalent to approximately RMB1,524,717,000). The 2018 Notes are denominated in the US$.

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

	Year ended 31 December 2013
	RMB'000
Fair value at the date of issuance	1,524,717
Interest expenses and amortisation of issuance costs	170,653
Repayment of interest	(86,769)
Foreign exchange gains	(47,356)
At 31 December	1,561,245

(ii) 2016 Notes and derivative financial instruments

On 27 May 2013, the Company issued 9.50%, 3 years senior notes, with an aggregated nominal value of RMB800,000,000 at face value ("RMB Notional Amounts"). The net proceeds, after deducting the issuance costs, amounted to RMB787,522,000. The 2016 Notes are denominated in RMB.

The 2016 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December 2013
	RMB'000
Fair value at the date of issuance	787,522
Interest expenses and amortisation of issuance costs	48,122
Repayment of interest	(38,000)
At 31 December	797,644

On the issuance date of 2016 Notes, the Company entered into cross currency swap ("CCS") with a bank. According to the CCS, the Company exchanged RMB800,000,000 with the bank for equivalent US$130,399,000 ("US$ Notional Amounts"). The Company needs to pay interest at 8.4% per annum based on the US$ Notional Amounts at each interest payment date of 2016 Notes. On maturity of 2016 Notes, the Company needs to deliver the US$ Notional Amounts to the bank in exchange with the RMB Notional Amounts.

CCS is not designated as a hedging instrument but a derivative financial instrument and recognised at fair value. The fair value of the CCS as at 31 December 2013 is an asset of RMB11,406,000.

Notes to the Consolidated Financial Statements

20 Borrowings (continued)

(a) Senior notes (continued)

(iii) ***2015 Notes***

On 16 September 2010, the Company issued 13.75%, 5 years senior notes, with an aggregated nominal value of US$200,000,000 at face value. The net proceeds, after deducting the issuance costs, amounted to US$194,800,000 (equivalent to approximately RMB1,308,511,000). The 2015 Notes are denominated in US$.

The 2015 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At 1 January	**1,287,259**	1,284,301
Interest expenses and amortisation of issuance costs	**191,491**	191,238
Repayment of interest	**(170,954)**	(184,723)
Repurchase	**(12,213)**	–
Foreign exchange gains	**(53,217)**	(3,557)
At 31 December	**1,242,366**	1,287,259

(iv) ***2014 Notes (I)***

On 17 March 2011, the Company issued 11.5%, 3 years senior notes, with an aggregated nominal value of RMB750,000,000 at face value. The net proceeds, after deducting the issuance costs, amounted to approximately RMB722,193,000. The 2014 Notes (I) are denominated in RMB.

The 2014 Notes (I) recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At 1 January	**762,824**	753,686
Interest expenses and amortisation of issuance costs	**96,980**	95,388
Repayment of interest	**(86,604)**	(86,250)
At 31 December	**773,200**	762,824

20 Borrowings (continued)

(a) Senior notes (continued)

(v) 2014 Notes (II)

On 8 September 2011, the Company issued 13.8%, 3 years senior notes, with an aggregated nominal value of HK$1,000,000,000 at face value to a financial institution. The net proceeds, after deducting the issuance costs, amounted to HK$973,124,000 (equivalent to approximately RMB797,680,000). The 2014 Notes (II) were additionally guaranteed by certain related parties (Note 36(b)(ii)). The 2014 Notes (II) are denominated in HK$.

The 2014 Notes (II) recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
At 1 January	**832,681**	825,836
Interest expenses and amortisation of issuance costs	**120,380**	119,937
Repayment of interest	**(110,724)**	(113,120)
Foreign exchange (gains)/losses	**(27,926)**	28
At 31 December	**814,411**	832,681

(b) Bank borrowings – secured

As at 31 December 2013, bank borrowings of RMB10,554,742,000 (2012: RMB5,738,330,000) were secured by property and equipment (Note 6), land use rights (Note 7), investment properties (Note 8), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 16); the secured bank borrowings of RMB2,600,570,000 (2012: RMB679,800,000) were additionally guaranteed by certain related parties (Note 36(b)(ii)).

As at 31 December 2013, short-term bank borrowings of RMB1,094,221,000 (2012: RMB1,155,580,000) were mainly included working capital loans and off-shore loans.

(c) Other borrowings – secured

As at 31 December 2013, borrowings from other financial institutions of RMB530,373,000 (2012: RMB1,765,127,000) were secured by land use rights (Note 7), investment properties (Note 8), properties under development (Note 9) and completed properties held for sale (Note 10).

(d) Borrowings under sale and lease back agreement – secured

In 2012, the Group has entered into a sale and lease back agreement with an independent third party for certain machinery and equipment installed in the Group's property and equipment and investment properties. The lease period is three years and the Group has an option to take up the machinery and equipment at the end of the lease period at nil consideration. This transaction was treated as a finance lease and thus, the machinery and equipment has not been derecognised, the present value of total lease payments was recognised as borrowings under sale and lease back agreement of the Group and the finance charges of the borrowings are calculated under the effective interest method and recognised as finance costs of the Group.

Notes to the Consolidated Financial Statements

20 Borrowings (continued)

(d) Borrowings under sale and lease back agreement – secured (continued)

The present value of borrowings under sale and lease back agreement is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
No later than 1 year	**69,109**	64,065
Later than 1 year and not later than 3 years	**36,569**	105,678
	105,678	169,743

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier at the end of the year are as follows:

The Group

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2013	**2,212,349**	**5,032,140**	**4,470,247**	**140,000**	**11,854,736**
At 31 December 2012	680,712	3,118,729	3,932,335	–	7,731,776
Borrowings included in current liabilities:					
At 31 December 2013	**1,876,116**	**2,699,307**	**–**	**–**	**4,575,423**
At 31 December 2012	1,691,616	1,630,634	–	–	3,322,250

The Company

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2013	**563,780**	**–**	**3,470,747**	**–**	**4,034,527**
At 31 December 2012	–	125,180	2,771,658	–	2,896,838
Borrowings included in current liabilities:					
At 31 December 2013	**1,106,989**	**944,920**	**–**	**–**	**2,051,909**
At 31 December 2012	111,106	132,215	–	–	243,321

20 Borrowings (continued)

(f) The carrying amounts and fair value of the non-current borrowings are as follows:

The Group	31 December 2013		31 December 2012	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
2018 Notes (Note (i))	1,486,548	1,547,858	–	–
2016 Notes (Note (i))	790,524	793,701	–	–
2015 Notes (Note (ii))	1,193,675	1,292,825	1,236,645	1,320,860
2014 Notes (I) (Note (ii))	–	–	737,569	730,907
2014 Notes (II) (Note (iii))	–	–	797,444	797,444
Bank borrowings (Note (iii))	8,347,420	8,366,838	3,799,440	3,799,440
Other borrowings (Note (iii))	–	–	1,055,000	1,092,652
Borrowings under sale and lease back agreement (Note (iii))	36,569	36,569	105,678	105,678
	11,854,736	12,037,791	7,731,776	7,846,981

The Company	31 December 2013		31 December 2012	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
2018 Notes(Note (i))	1,486,548	1,547,858	–	–
2016 Notes(Note (i))	790,524	793,701	–	–
2015 Notes (Note (i))	1,193,675	1,292,825	1,236,645	1,320,860
2014 Notes(I) (Note (i))	–	–	737,569	730,907
2014 Notes(II) (Note (ii))	–	–	797,444	797,444
Bank Borrowings (Note (ii))	563,780	563,780	125,180	125,180
	4,034,527	4,198,164	2,896,838	2,974,391

Notes:

(i) The fair values are determined directly by references to the price quotations published by the Stock Exchange on 31 December 2013, using the pricing of dealing date and are within Level 1 of the fair value hierarchy.

(ii) The fair values are determined directly by references to the price quotations published by Singapore Exchange Limited on 31 December 2013 and 2012, using the pricing of dealing date and are within level 1 of the fair value hierarchy.

(iii) The fair values are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and are within level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

20 Borrowings (continued)

(g) The Group's and the Company's non-current borrowings are repayable as follows:

	Senior notes RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Borrowings under sale and lease back agreement RMB'000	Total RMB'000
The Group					
As at 31 December 2013					
1–2 years	**2,160,838**	**3,444,421**	**–**	**36,569**	**5,641,828**
2–5 years	**1,309,909**	**2,759,500**	**–**	**–**	**4,069,409**
Over 5 years	**–**	**2,143,499**	**–**	**–**	**2,143,499**
	3,470,747	**8,347,420**	**–**	**36,569**	**11,854,736**
As at 31 December 2012					
1–2 years	1,535,013	1,159,443	1,055,000	69,109	3,818,565
2–5 years	1,236,645	2,031,717	–	36,569	3,304,931
Over 5 years	–	608,280	–	–	608,280
	2,771,658	3,799,440	1,055,000	105,678	7,731,776
The Company					
As at 31 December 2013					
1–2 years	**2,160,838**	**563,780**	**–**	**–**	**2,724,618**
2–5 years	**1,309,909**	**–**	**–**	**–**	**1,309,909**
	3,470,747	**563,780**	**–**	**–**	**4,034,527**
As at 31 December 2012					
1–2 years	1,535,013	125,180	–	–	1,660,193
2–5 years	1,236,645	–	–	–	1,236,645
	2,771,658	125,180	–	–	2,896,838

20 Borrowings (continued)

(h) The maturity of the borrowings is as follows:

	Senior notes RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Borrowings under sale and lease back agreement RMB'000	Total RMB'000
The Group					
As at 31 December 2013					
Wholly repayable within 5 years	**5,188,866**	**6,984,242**	**530,373**	**105,678**	**12,809,159**
Wholly repayable after 5 years	**–**	**3,621,000**	**–**	**–**	**3,621,000**
	5,188,866	**10,605,242**	**530,373**	**105,678**	**16,430,159**
As at 31 December 2012					
Wholly repayable within 5 years	2,882,764	4,755,525	1,820,794	169,743	9,628,826
Wholly repayable after 5 years	–	1,425,200	–	–	1,425,200
	2,882,764	6,180,725	1,820,794	169,743	11,054,026
The Company					
As at 31 December 2013					
Wholly repayable within 5 years	**5,188,866**	**897,570**	**–**	**–**	**6,086,436**
Wholly repayable after 5 years	**–**	**–**	**–**	**–**	**–**
	5,188,866	**897,570**	**–**	**–**	**6,086,436**
As at 31 December 2012					
Wholly repayable within 5 years	2,882,764	257,395	–	–	3,140,159
Wholly repayable after 5 years	–	–	–	–	–
	2,882,764	257,395	–	–	3,140,159

(i) The effective interest rates of borrowings are as follows:

	Group 31 December		Company 31 December	
	2013	2012	**2013**	2012
2018 Notes	**12.40%**	–	**12.40%**	–
2016 Notes	**10.60%**	–	**10.60%**	–
2015 Notes	**15.02%**	15.02%	**15.02%**	15.02%
2014 Notes (I)	**13.46%**	13.46%	**13.46%**	13.46%
2014 Notes (II)	**15.50%**	15.50%	**15.50%**	15.50%
Bank and other borrowings	**7.31%**	8.59%	**3.41%**	4.71%
Borrowings under sale and lease back agreement	**7.65%**	7.90%	**–**	–

Notes to the Consolidated Financial Statements

20 Borrowings (continued)

(j) The carrying amounts of borrowings are denominated in the following currencies:

	Group 31 December		Company 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
RMB	**11,896,664**	8,477,441	**1,570,844**	762,824
HK$	**1,148,200**	1,031,931	**1,148,200**	832,681
US$	**3,385,295**	1,544,654	**3,367,392**	1,544,654
	16,430,159	11,054,026	**6,086,436**	3,140,159

(k) As at 31 December 2013 and 2012, the Group had the following undrawn borrowing facilities:

	Group 31 December	
	2013 RMB'000	2012 RMB'000
Floating rate:		
– expiring within 1 year	**–**	265,940
– expiring beyond 1 year	**201,000**	80,572
Fixed rate:		
– expiring within 1 year	**12,500**	32,712
	213,500	379,224

21 Deferred Income Tax – Group

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2013 RMB'000	2012 RMB'000
Deferred income tax assets		
– to be realised after more than 12 months	**133,260**	87,831
– to be realised within 12 months	**69,805**	79,263
	203,065	167,094
Deferred income tax liabilities to be settled after more than 12 months	**(3,187,587)**	(3,009,963)
Deferred income tax liabilities – net	**(2,984,522)**	(2,842,869)

21 Deferred Income Tax – Group (continued)

The gross movement on the deferred income tax is as follows:

	Year ended 31 December 2013 RMB'000	2012 RMB'000
At 1 January	**(2,842,869)**	(2,273,884)
Disposal of subsidiaries	**–**	(2,342)
Tax charged in consolidated income statement (Note 29)	**(141,653)**	(538,907)
Tax charge relating to components of other comprehensive income	**–**	(27,736)
At 31 December	**(2,984,522)**	(2,842,869)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2013	**125,088**	**93,049**	**218,137**
Tax credited to consolidated income statement	**24,001**	**3,612**	**27,613**
At 31 December 2013	**149,089**	**96,661**	**245,750**
At 1 January 2012	49,618	97,258	146,876
Disposal of subsidiaries	–	(2,342)	(2,342)
Tax credited/(charged) to consolidated income statement	75,470	(1,867)	73,603
At 31 December 2012	125,088	93,049	218,137

Notes to the Consolidated Financial Statements

21 Deferred Income Tax – Group (continued)

Deferred income tax liabilities

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Temporary difference on revaluation gains of investment properties RMB'000	Temporary difference on revaluation reserves recognised in other comprehensive income RMB'000	Total RMB'000
At 1 January 2013	**(2,317)**	**(3,030,953)**	**(27,736)**	**(3,061,006)**
Tax charged in consolidated income statement	**(459)**	**(168,807)**	**–**	**(169,266)**
At 31 December 2013	**(2,776)**	**(3,199,760)**	**(27,736)**	**(3,230,272)**
At 1 January 2012	–	(2,420,760)	–	(2,420,760)
Tax charged to consolidated income statement	(2,317)	(610,193)	–	(612,510)
Tax charge relating to components of other comprehensive income	–	–	(27,736)	(27,736)
At 31 December 2012	(2,317)	(3,030,953)	(27,736)	(3,061,006)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB45,929,000 (2012: RMB54,267,000) in respect of losses amounting to RMB179,620,000 (2012: RMB217,856,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Deferred income tax liabilities of RMB1,301,074,000 (2012: RMB1,148,768,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB14,515,648,000 at 31 December 2013 (2012: RMB13,079,713,000), as the Group does not have a plan to distribute these earnings out of the PRC.

22 Trade and Other Payables

	Group 31 December		Company 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Trade payables	**2,100,340**	2,040,328	**–**	–
– Related parties (Note 36(d))	**18,969**	19,097	**–**	–
– Third parties	**1,874,378**	1,631,871	**–**	–
– Notes payable – third parties	**206,993**	389,360	**–**	–
Other payables and accruals	**2,342,782**	1,375,241	**42,562**	36,135
– Related parties (Note 36(d))	**1,167,351**	531,425	**32,900**	32,900
– Third parties	**1,175,431**	843,816	**9,662**	3,235
Payables for retention fee	**208,928**	169,959	**–**	–
Payables for acquisition of land use rights	**53,834**	166,834	**–**	–
Other taxes payables	**163,580**	157,653	**–**	–
	4,869,464	3,910,015	**42,562**	36,135

As at 31 December 2013 and 2012, the ageing analysis of trade payables of the Group based on invoice date is as follows:

	31 December	
	2013 RMB'000	2012 RMB'000
Within 90 days	**343,266**	827,822
Over 90 days and within 180 days	**160,408**	483,972
Over 180 days and within 365 days	**968,207**	226,616
Over 365 days and within 3 years	**628,459**	501,918
	2,100,340	2,040,328

23 Current Income Tax Liabilities – Group

The current income tax liabilities are analysed as follows:

	31 December	
	2013 RMB'000	2012 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**1,063,742**	965,850
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**93,300**	107,711
– PRC land appreciation tax payable	**1,026,225**	1,026,774
	2,183,267	2,100,335

Notes to the Consolidated Financial Statements

24 Expenses by Nature

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Cost of properties sold (excluding staff costs)	**4,200,275**	2,595,218
Staff costs (including directors' emoluments) (Note 25)	**472,040**	404,599
Business taxes and other levies (Note (a))	**427,800**	343,697
Cost of hotel operations	**149,585**	169,533
Advertising costs	**167,183**	118,433
Depreciation (Note 6)	**110,451**	113,422
Cost of property management service	**75,592**	58,776
Amortisation of land use rights (Note 7)	**13,863**	17,160
Office lease payments	**12,248**	13,227
Donations to governmental charity	**10,709**	7,806
Auditor's remuneration	**6,480**	4,280

(a) Business taxes

The group entities established in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Rental income	5%
Property management	5%
Hotel service	5%

25 Staff Costs

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Wages and salaries	**383,053**	330,490
Pension costs – statutory pension (Note (c))	**58,528**	42,106
Other staff welfare and benefits	**23,966**	22,423
Pre-IPO Share Option Scheme	**4,434**	9,580
Share Award Scheme	**2,059**	–
	472,040	404,599

25 Staff Costs (continued)

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31 December 2013 is set out below:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors:						
Mr. Hoi Kin Hong	480	–	240	1,090	89	1,899
Mr. Hoi Wa Fong	240	–	240	342	89	911
Mr. Xiao Qing Ping	326	18	240	280	122	986
Ms. Shih Sze Ni	90	–	240	187	63	580
Non-executive directors:						
Ms. Liu Xiao Lan	–	–	142	187	–	329
Ms. Hoi Wa Fan	–	–	142	–	–	142
Independent non-executive directors:						
Mr. Ngai Wai Fung	–	–	189	–	–	189
Mr. Mei Jian Ping	–	–	189	–	–	189
Ms. Nie Mei Sheng	–	–	189	–	–	189
	1,136	18	1,811	2,086	363	5,414

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

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors:						
Mr. Hoi Kin Hong	480	–	240	1,929	–	2,649
Mr. Hoi Wa Fong	240	–	240	606	–	1,086
Mr. Xiao Qing Ping	236	15	240	496	–	987
Ms. Shih Sze Ni	–	–	240	331	–	571
Non-executive directors:						
Ms. Liu Xiao Lan (Note a)	43	7	162	331	–	543
Ms. Hoi Wa Fan	–	–	146	–	–	146
Independent non-executive directors:						
Mr. Ngai Wai Fung	–	–	195	–	–	195
Mr. Mei Jian Ping	–	–	195	–	–	195
Ms. Nie Mei Sheng	–	–	195	–	–	195
	999	22	1,853	3,693	–	6,567

Note a: Ms. Liu Xiao Lan re-designated as an non-executive director from 1 April 2012.

During the year ended 31 December 2013, none of the directors of the Company waived his/her emoluments nor has agreed to waive his/her emoluments for the year (2012: same).

Notes to the Consolidated Financial Statements

25 Staff Costs (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including three (2012: same) directors whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments of the remaining two (2012: same) individuals during the years are set out below:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Wages and salaries	**1,176**	1,504
Retirement scheme contributions	**110**	52
Pre-IPO Share Option Scheme	**498**	441
Share Award Scheme	**143**	–
	1,927	1,997

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands (in HK$)		
HK$1,000,000 – HK$1,500,000	**2**	2
HK$1,500,001 – HK$2,000,000	**–**	–

(c) Pensions – defined contribution plans

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

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

26 Other Gains/(Losses) – Net

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Interest income on entrusted loans	**21,702**	19,894
Gain on disposal of investment properties	**54,878**	–
Fair value gains on derivative financial instruments (Note 20(a)(ii))	**11,406**	–
Investment income from financial instruments	**7,384**	116
Loss from disposal of a subsidiary	**–**	(38,451)
Revaluation loss recognised on transfer of property and equipment and land use rights to investment properties	**–**	(37,999)
	95,370	(56,440)

27 Exchange Losses – Net

Amount mainly represents the gain or loss of translation of financial assets and liabilities, which are denominated in foreign currency, into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the finance income/(costs) – net (Note 28).

28 Finance Income/(Costs) – Net

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Interest expenses:		
– Bank borrowings, other borrowings and borrowings under sale and lease back agreement	**(768,625)**	(731,532)
– Senior notes	**(627,626)**	(406,563)
Less: interest capitalised	**1,361,369**	1,104,134
	(34,882)	(33,961)
Net foreign exchange gains on financing activities	**155,905**	4,572
	121,023	(29,389)

Notes to the Consolidated Financial Statements

29 Income Tax Expense

	Year ended 31 December	
	2013 **RMB'000**	2012 RMB'000
Current tax:		
– PRC corporate income tax	**343,281**	266,763
– PRC land appreciation tax	**192,891**	355,660
– (Reversal of)/provision of withholding income tax for profits to be distributed from the group companies in the PRC	**(14,411)**	35,982
Deferred income tax:		
– PRC corporate income tax	**141,653**	538,907
	663,414	1,197,312

The tax charge on other comprehensive income has been disclosed in Note 19(e).

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

	Year ended 31 December	
	2013 **RMB'000**	2012 RMB'000
Profit before income tax	**2,063,590**	3,410,298
Calculated at applicable corporate income tax rate	**506,524**	796,355
Effect of expenses not deductible for income tax	**12,264**	78,626
Effect of income not subject to income tax	**(4,469)**	(1,143)
Share of profit of investments accounted for using the equity method	**(27,091)**	(33,520)
Tax losses for which no deferred income tax asset was recognised	**45,929**	54,267
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(48,223)**	(88,915)
	484,934	805,670
(Reversal of)/provision of withholding income tax for profits to be distributed by certain group companies in the PRC	**(14,411)**	35,982
PRC land appreciation tax	**192,891**	355,660
	663,414	1,197,312

29 Income Tax Expense (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, the corporate income tax rate applicable to the group entities located in Mainland China is 25%.

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

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

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

Notes to the Consolidated Financial Statements

30 Retained Earnings of the Company

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
As at 1 January	**339,246**	252,759
Profit for the year	**149,040**	329,368
Pre-IPO Share Option Scheme	**18,023**	–
Dividends (Note 32)	**(323,841)**	(242,881)
As at 31 December	**182,468**	339,246

31 Earnings Per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held for Share Award Scheme (Note 18 (a)).

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**1,403,536**	2,193,852
Weighted average number of ordinary shares in issue (thousand shares)	**4,009,660**	4,009,786
Basic earnings per share (RMB cents per share)	**35.00**	54.71

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the two schemes.

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**1,403,536**	2,193,852
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**4,012,102**	4,009,786
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**4,009,660**	4,009,786
– Adjustment for share options and awarded shares (thousand shares)	**2,442**	–
Diluted earnings per share (RMB cents per share)	**34.98**	54.71

32 Dividends

The dividend paid in 2013 included the payment of the 2012 final cash dividend of RMB0.08 cents (2012: RMB0.06 cents) per ordinary share out of the retained earnings, totaling RMB320,773,000 (2012: RMB240,580,000), excluding the dividend related to the ordinary shares held under the Share Award Scheme of RMB3,068,000 (2012: RMB2,301,000) (Note 18 (a)).

No final dividend in respect of the year ended 31 December 2013 was proposed by the Board.

33 Cash (Used in)/Generated from Operations – Group

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit before taxation	**2,063,590**	3,410,298
Adjustments for:		
Depreciation (Note 6)	**110,451**	113,422
Amortisation of land use rights recognised as expense (Note 7)	**13,863**	17,160
Fair value gains on investment properties – net (Note 8)	**(530,672)**	(1,743,684)
Share of profit of investments accounted for using the equity method (Note 15)	**(108,365)**	(134,079)
Elimination of unrealised profits (Note 15)	**8,856**	8,787
Amortisation of Pre-IPO Share Option Scheme and Share Award Scheme (Note 19)	**6,493**	9,580
Other (gains)/losses – net	**(95,884)**	56,556
Finance (income)/costs – net (Note 28)	**(121,023)**	29,389
Effect of foreign exchange rate changes	**22,543**	(248)
Changes in operating capital:		
– Properties under construction and completed properties held for sale	**(217,636)**	(3,917,333)
– Restricted cash	**68,602**	(59,324)
– Trade and other receivables	**(568,130)**	(278,322)
– Prepayments	**(1,888,521)**	1,796,543
– Financial assets at fair value through profit or loss	**(12,850)**	774
– Trade and other payables	**314,447**	588,396
– Advances from customers	**552,481**	848,268
Cash (used in)/generated from operation	**(381,755)**	746,183

Notes to the Consolidated Financial Statements

34 Financial Guarantee Contracts

The face value of the financial guarantees issued by the Group and the Company is analysed as below:

The Group

	31 December	
	2013 **RMB'000**	2012 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**4,711,027**	3,723,131
Guarantees for borrowings of a joint venture (Note (b))	**993,880**	589,360
	5,704,907	4,312,491

The Company

	31 December	
	2013 **RMB'000**	2012 RMB'000
Guarantee for borrowings of subsidiaries (Note (b))	**2,242,100**	353,000

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantees is not significant.

(b) It represents guarantees provided to a joint venture and subsidiaries of the Group to obtain borrowings. The Directors consider that the fair value of these contracts at the date of inception was minimal and understand the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

35 Commitments – Group

(a) Commitments for property development expenditures

	31 December	
	2013 RMB'000	2012 RMB'000
Contracted but not provided for		
– Property development activities	**4,471,549**	2,291,304
– Acquisition of land use rights	**3,031,035**	407,211
	7,502,584	2,698,515

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December	
	2013 RMB'000	2012 RMB'000
– Not later than one year	**11,957**	11,227
– Later than one year and not later than two years	**10,719**	11,227
– Later than two years and not later than three years	**–**	10,719
	22,676	33,173

Notes to the Consolidated Financial Statements

36 Related Party Transactions

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Group (incorporated in Cayman Islands)
The Controlling Shareholders, including Mr. Hoi Kin Hong, Ms. Wang Lai Jan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Wa Fong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Qingdao BaoZhan New World Industry Co., Ltd. 青島寶展世新實業有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Fuzhou Cannes Department Store Company Limited 福州康城百貨有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Zhengzhou Cannes Outlets Commercial Company Limited 鄭州康城奧特萊斯商業有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Great Merchant Limited 弘商有限責任公司	Ultimately controlled by Mr. Hoi Kin Hong
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Powerlong") 天津寶龍金駿房地產開發有限公司	Joint Venture
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate

36 Related Party Transactions (continued)

(b) Transactions with related parties

(i) During the years ended 31 December 2013 and 2012, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Rental income from fellow subsidiaries		
– Qingdao Powerlong Amusement Management Company Limited	**–**	13,501
– Fuzhou Powerlong Amusement Management Company Limited	**2,308**	2,308
	2,308	15,809
Property management fee income		
– Fellow subsidiaries ultimately controlled by Mr. Hoi Kin Hong	**797**	1,749
Purchase of office equipment and security intelligentisation system services from fellow subsidiaries		
– Fujian Ping An Security Devices and Network Limited	**41,538**	36,539
– Xiamen Powerlong Information Industry Co., Ltd.	**769**	437
	42,307	36,976
Hotel accommodation service fee charged by a fellow subsidiary		
– Macau Powerlong Group	**812**	684
Office lease expense charged by a fellow subsidiary		
– Xiamen Powerlong Information Industry Co., Ltd.	**1,485**	1,485
Sales of construction materials to a joint venture		
– Tianjin Powerlong	**20,534**	45,405
Consultation services provided to a joint venture		
– Tianjin Powerlong	**14,614**	14,586
Guarantees for borrowings to a joint venture		
– Tianjin Powerlong	**993,880**	589,360

The above transactions were charged in accordance with the terms of the underlying agreements.

(ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB2,600,570,000 and senior notes of RMB814,411,000 at 31 December 2013 (2012: bank borrowings of RMB679,800,000 and senior notes of RMB832,681,000) (Note 20).

(iii) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

Notes to the Consolidated Financial Statements

36 Related Party Transactions (continued)

(c) Key management compensation

Key management compensation is set out below.

	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Key management compensation		
– Salaries and other employee benefits	**12,166**	12,124
– Pension costs	**763**	427
	12,929	12,551

(d) Balances with related parties

As at 31 December 2013, the Group had the following material balances with related parties:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Amounts due from fellow subsidiaries included in trade receivables (Note (i))		
– Qingdao Powerlong Amusement Management Company Limited	**35,754**	40,243
– Zhengzhou Cannes Outlets Commercial Company Limited	**15,713**	15,713
– Fuzhou Powerlong Amusement Management Company Limited	**174**	3,172
– Qingdao BaoZhan New World Industry Co. Ltd.	**–**	2,678
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	**–**	3,174
	51,641	64,980
Amounts due from a joint venture included in trade receivables (Note (i))		
– Tianjin Powerlong	**1,475**	13,102
Amounts due from fellow subsidiaries included in other receivables (Note (ii))		
– Powerlong Group Development Co., Ltd.	**21,376**	21,376
– Qingdao Powerlong Amusement Management Company Limited	**1,461**	1,461
– Zhengzhou Cannes Outlets Commercial Company Limited	**495**	1,161
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	**15**	1,371
	23,347	25,369

36 Related Party Transactions (continued)

(d) Balances with related parties (continued)

	31 December 2013 RMB'000	31 December 2012 RMB'000
Amounts due to fellow subsidiaries included in trade payables (Note (i)):		
– Fujian Ping An Security Devices and Network Limited	**17,296**	17,386
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	**1,673**	1,711
	18,969	19,097
Amounts due to a fellow subsidiary and ultimate controlling shareholder included in other payables (Note (ii)):		
– Great Merchant Limited	**77,745**	258,770
– Mr. Hoi Kin Hong	**32,900**	32,900
	110,645	291,670
Amounts due to a joint venture included in other payables (Note (ii)):		
– Tianjin Powerlong (Note 15)	**1,014,706**	239,755
Amounts due to an associate included in other payables (Note (ii)):		
– Quanzhou Shangquan Industrial Development Co., Ltd. (Note 15)	**42,000**	–
Senior notes held by a shareholder of the Company (Note (iii)):		
– Sky Infinity Holdings Limited	**35,128**	36,687

(i) Amounts due from/to related parties included in trade receivables/payables are mainly derived from rental income and purchase of construction materials, which are unsecured, interest-free and to be settled according to contract terms.

(ii) Amounts due from/to related parties included in other receivables/payables are unsecured, interest-free and repayable on demand, which are cash advances in nature.

(iii) Sky Infinity Holdings Limited has purchased certain 2015 Notes issued by the Company through open market. The carrying amount of the 2015 Notes held by Sky Infinity Holdings Limited was RMB35,128,000 as at 31 December 2013 (2012: RMB36,687,000).

(e) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from a director of the Company and entities ultimately controlled by the director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	31 December		Maximum amount outstanding for the year ended 31 December	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Related entities ultimately controlled by Mr. Hoi Kin Hong (Note(d))	**74,988**	90,349	**90,349**	684,529

Notes to the Consolidated Financial Statements

37 Principal Subsidiaries of the Company

Details of the principal subsidiaries of the Company at 31 December 2013 are set out below.

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	HK$100	100%	–	Investment holding in British Virgin Islands
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	HK$1	100%	–	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	HK$1	100%	–	Investment holding in Hong Kong
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	the PRC 21 October 2003	US$8,000,000	100%	–	Property development and property investment in the PRC
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	the PRC 5 August 2004	US$10,000,000	100%	–	Property development and property investment in the PRC
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	the PRC 7 April 2005	RMB700,000,000	100%	–	Property development and property investment in the PRC
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	the PRC 7 June 2005	RMB100,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	the PRC 21 February 2006	RMB20,000,000	100%	–	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 3 March 2006	RMB80,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	RMB660,000,000	100%	–	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	RMB80,000,000	100%	–	Hotel operation in the PRC

37 Principal Subsidiaries of the Company (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC 1 November 2006	US$15,000,000	80%	20%	Property development and property investment in the PRC
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC 27 February 2007	US$15,000,000	100%	–	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	US$60,000,000	100%	–	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited	the PRC 10 December 2007	RMB100,000,000	100%	–	Property development and property investment in the PRC
煙台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	the PRC 19 December 2007	US$54,950,000	100%	–	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	US$80,000,000	100%	–	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	US$75,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	US$199,600,000	100%	–	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Property Development Company Limited	the PRC 24 November 2009	US$56,000,000	100%	–	Property development and property investment in the PRC
安溪寶龍置業發展有限公司 Anxi Powerlong Property Development Co., Ltd.	the PRC 27 January 2010	RMB52,500,000	85%	15%	Property development and property investment in the PRC

Notes to the Consolidated Financial Statements

37 Principal Subsidiaries of the Company (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Co., Ltd.	the PRC 28 October 2010	US$30,000,000	100%	–	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	US$199,900,000	100%	–	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	RMB100,000,000	100%	–	Property development and property investment in the PRC
天津寶龍城房地產開發有限公司 Tianjin Powerlong City Real Estate Development Co., Ltd.	the PRC 9 March 2011	RMB300,000,000	100%	–	Property development and property investment in the PRC
上海寶龍華睿房地產開發有限公司 Shanghai Powerlong Huarui Real Estate Development Co., Ltd.	the PRC 23 March 2011	RMB100,000,000	100%	–	Property development and property investment in the PRC
天津寶龍園房地產開發有限公司 Tianjin Powerlong Garden Real Estate Development Co., Ltd.	the PRC 11 April 2011	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海寶龍康晟房地產發展有限公司 Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd.	the PRC 11 August 2011	RMB100,000,000	100%	–	Property development and property investment in the PRC
鎮江寶龍置業發展有限公司 Zhenjiang Powerlong Property Development Co., Ltd.	the PRC 9 November 2011	US$40,000,000	100%	–	Property development and property investment in the PRC
煙台寶龍置業發展有限公司 Yantai Powerlong Property Development Co., Ltd.	the PRC 6 June 2012	US$15,000,000	100%	–	Property development and property investment in the PRC
青島寶龍英聚置地發展有限公司 Qingdao Powerlong Yingju Real Estate Development Co., Ltd	the PRC 5 June 2013	US$20,000,000	61%	39%	Property development and property investment in the PRC

37 Principal Subsidiaries of the Company (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
青島寶龍英聚文化旅遊開發有限公司 Qingdao Powerlong Yingju Cultural Tourism Development Co., Ltd	the PRC 7 June 2013	US$15,000,000	61%	39%	Property development and property investment in the PRC
上海寶龍康駿房地產開發有限公司 Shanghai Powerlong Kangjun Real Estate Development Co., Ltd	the PRC 30 July 2013	RMB100,000,000	100%	–	Property development and property investment in the PRC
淮安寶龍建設發展有限公司 Huaian Powerlong Construction Development Co. Ltd.	the PRC 3 September 2013	US$30,000,000	100%	–	Property development and property investment in the PRC
煙台寶龍房地產開發有限公司 Yantai Powerlong Real Estate Development Co., Ltd.	the PRC 8 November 2013	US$15,000,000	100%	–	Property development and property investment in the PRC
富陽寶龍房地產開發有限公司 Fuyang Powerlong Real Estate Development Co., Ltd.	the PRC 30 October 2013	US$57,000,000	100%	–	Property development and property investment in the PRC
杭州蕭山寶龍置業有限公司 Hangzhou Xiaoshan Powerlong Real Estate Co., Ltd.	the PRC 7 November 2013	US$60,000,000	100%	–	Property development and property investment in the PRC

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

The subsidiaries established in the PRC in the above list are limited liability companies.

Notes to the Consolidated Financial Statements

38 Transactions with non-controlling interests

(a) Acquisition of additional interest in a subsidiary

	Year ended 31 December 2013 RMB'000
Carrying amount of non-controlling interests acquired	1,018
Consideration paid to non-controlling interests	(2,000)
Loss of consideration paid recognised within equity	(982)

(b) Disposal of interests in subsidiaries without loss of control

On 6 December 2013, Powerlong BVI, a subsidiary of the Company disposed of 18% of interests in Powerlong (BVI) IV at an aggregate consideration of HK$25,030,000 (approximately equivalent to RMB19,774,000). The Group recognised an increase in non-controlling interests of RMB10,311,000 and an increase in equity attributable to owners of the Company of RMB9,463,000. The effect of changes in the ownership interest of Powerlong (BVI) IV on the equity attributable to owners of the Company during the year is summarised as follows:

	Year ended 31 December 2013 RMB'000
Consideration received from non-controlling interests	19,774
Carrying amount of non-controlling interests disposed of	(10,311)
Gain on disposal within equity	9,463

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2013:

	Year ended 31 December 2013 RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interest in a subsidiary	(982)
– Disposal of interests in subsidiaries without loss of control	9,463
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	8,481

There were no transactions with non-controlling interests in 2012.

Five-year Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Assets					
Non-current assets	**23,217,836**	21,719,854	18,384,052	11,176,238	6,923,642
Current assets	**25,285,081**	18,487,751	15,620,340	13,290,068	7,600,676
Total assets	**48,502,917**	40,207,605	34,004,392	24,466,306	14,524,318
EQUITY AND LIABILITIES					
Total equity	**17,646,133**	16,499,440	14,405,330	11,146,578	8,229,557
Liabilities					
Non-current liabilities	**15,042,323**	10,741,739	9,340,184	5,869,449	1,987,880
Current liabilities	**15,814,461**	12,966,426	10,258,878	7,450,279	4,306,881
Total liabilities	**30,856,784**	23,708,165	19,599,062	13,319,728	6,294,761
Total equity and liabilities	**48,502,917**	40,207,605	34,004,392	24,466,306	14,524,318

Five-year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	**7,256,938**	5,871,763	5,254,027	4,432,657	4,135,739
Cost of sales	**(5,201,756)**	(3,540,058)	(2,951,046)	(2,030,297)	(1,829,484)
Gross profit	**2,055,182**	2,331,705	2,302,981	2,402,360	2,306,255
Fair value gains on investment properties – net	**530,672**	1,743,684	3,559,072	2,562,730	2,425,853
Selling and marketing costs	**(240,509)**	(208,258)	(207,902)	(118,933)	(66,218)
Administrative expenses	**(583,970)**	(505,331)	(503,620)	(395,413)	(178,251)
Other gains/(losses) – net	**95,370**	(56,440)	60,242	14,467	(2,445)
Exchange (losses)/gains – net	**(22,543)**	248	(10,454)	(5,386)	(1,108)
Operating profit	**1,834,202**	3,305,608	5,200,319	4,459,825	4,484,086
Finance income/(costs) – net	**121,023**	(29,389)	86,562	30,128	(851)
Share of profit of investments accounted for using the equity method	**108,365**	134,079	–	–	–
Profit before income tax	**2,063,590**	3,410,298	5,286,881	4,489,953	4,483,235
Income tax expense	**(663,414)**	(1,197,432)	(1,736,424)	(1,304,512)	(1,442,165)
Profit for the year	**1,400,176**	2,212,986	3,550,457	3,185,441	3,041,070
Other comprehensive income					
Revaluation gains on property and equipment and land use rights transferred to investment properties	**–**	83,129	–	–	–
Change in value of available-for-sale financial assets	**344**	132	–	–	–
Other comprehensive income for the year, net of tax	**344**	83,261	–	–	–
Total comprehensive income for the year	**1,400,520**	2,296,247	3,550,457	3,185,441	3,041,070
Profit/(loss) attributable to:					
Owners of the Company	**1,403,536**	2,193,852	3,415,230	2,955,645	3,042,669
Non-controlling interests	**(3,360)**	19,134	135,227	229,796	(1,599)
	1,400,176	2,212,986	3,550,457	3,185,441	3,041,070
Total comprehensive income attributable to:					
Owners of the Company	**1,403,880**	2,272,133	3,415,230	2,955,645	3,042,669
Non-controlling interests	**(3,360)**	24,114	135,227	229,796	(1,599)
	1,400,520	2,296,247	3,550,457	3,185,441	3,041,070
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB cents per share)					
– Basic	**35.00**	54.71	84.73	72.53	93.93
– Diluted	**34.98**	54.71	84.73	72.53	93.92

	Year ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Dividends	**–**	320,773	243,065	244,107	245,247

* Certain figures have been reclassified to conform to the current presentation.

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