FRANSHION PROPERTIES (CHINA) LIMITED

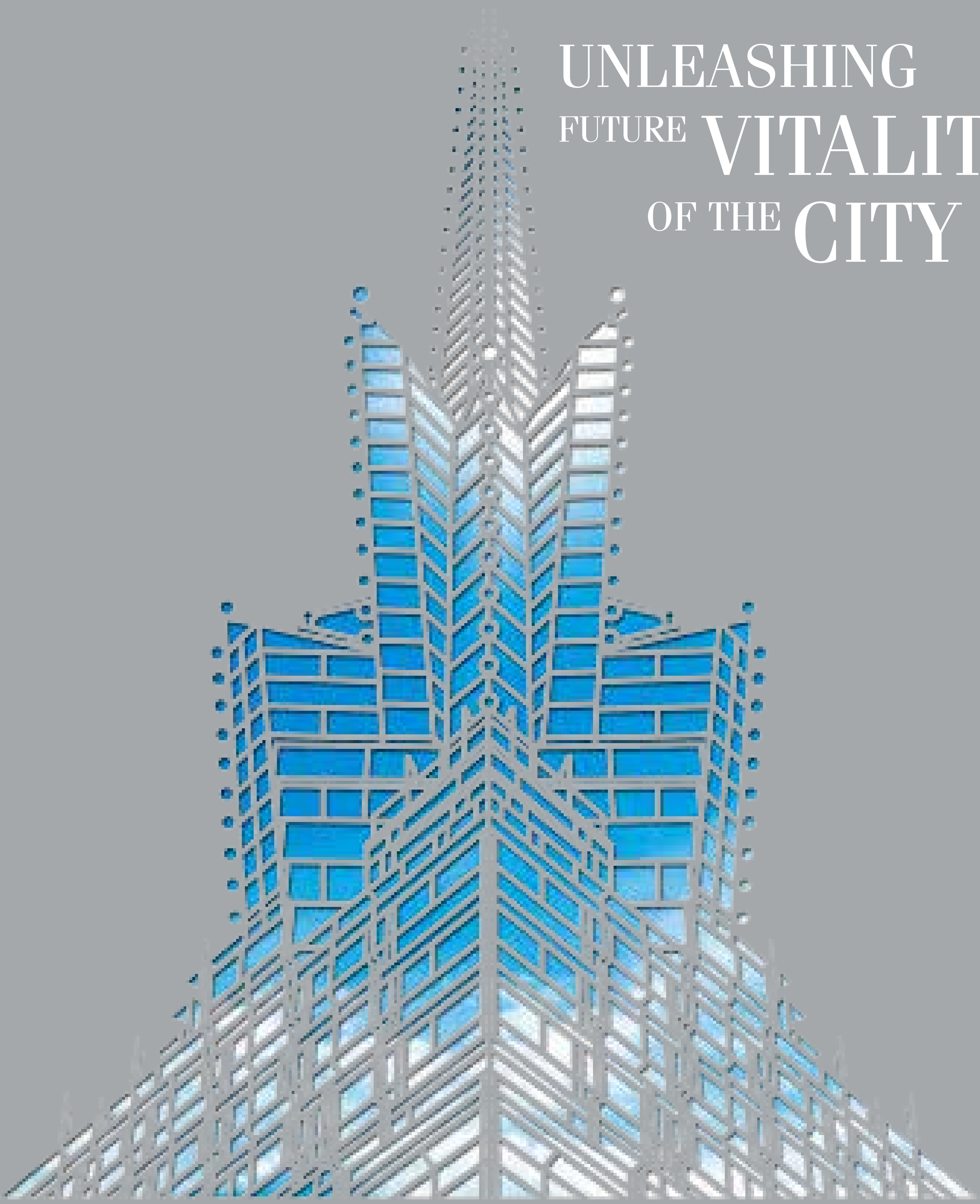
A Sinochem Member Company

Annual Report 2013

(Incorporated in Hong Kong with limited liability)

Stock Code: 00817

UNLEASHING FUTURE VITALITY OF THE CITY



Our Mission

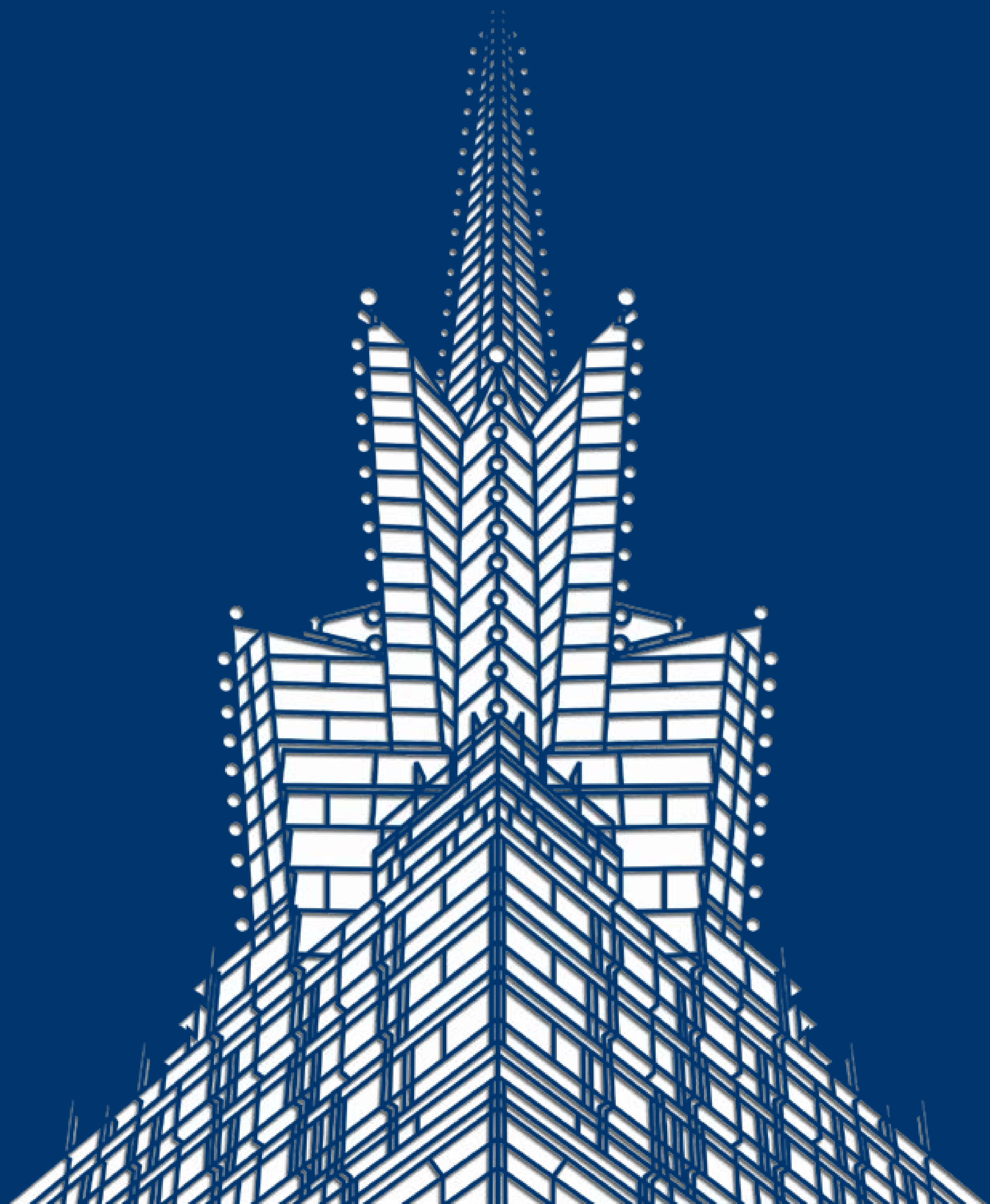
Unleashing future vitality of the city

Our Vision

Becoming a well-respected and leading quality property developer

Our Brand Philosophy

Aim high with vision building for the future



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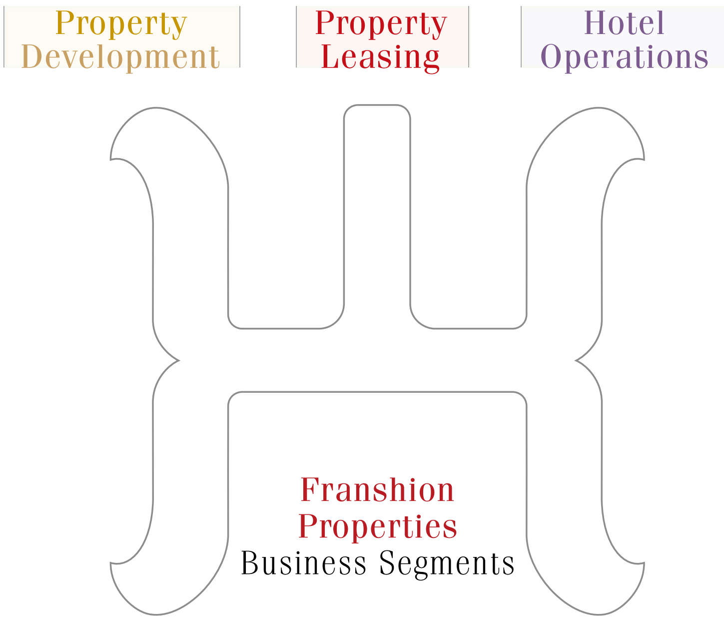


Franshion Properties (China) Limited (stock code: 00817) is a platform enterprise under the real estate and hotel segments of Sinochem Group, one of the top 500 world's enterprises (ranking the 119th among the top 500 world's enterprises in 2013 by "Fortune"). On 17 August 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is now one of the component stocks of the Hong Kong Hang Seng Composite Index. Sinochem Group is one of the state-owned enterprises that are approved by the State-owned Assets Supervision and Administration Commission to engage principally in property development and hotel operations.

Franshion Properties is a large-scale and high-end property developer and operator specialising in developing world-class artistic urban landmarks in pursuit of harmony between man, architecture and nature in adherence to its corporate mission of "Unleashing Future Vitality of the City". Its business segments cover high-end property development, business and commercial leasing as well as hotel investments and operations, generating synergies from the segments. It has established a series of high-end products that feature "Jin Mao" as the core brand. Franshion Properties has developed several top quality real estate projects in Beijing, Shanghai, Sanya and Changsha, and has a number of landmark projects in many cities such as Shanghai Jin Mao Tower, Beijing Chemsunny World Trade Centre and Nanjing International Center. It has also invested in a number of five-star luxury hotels. Through successful development and operation of a series of prime quality projects, Franshion Properties has gained a significant foothold in the real estate industry in China. Leveraging on its unique growth pattern, experienced management team and the strong backing from its parent company, Sinochem Group, Franshion Properties can capitalise on tremendous opportunities arising from the fast-growing PRC real estate industry and win more opportunities in the acquisition and integration of resources.

PROPERTY DEVELOPMENT
Strong Performance

Property development projects and primary land development projects with a total gross floor area of approximately 7.79 million square metres and approximately 18.73 million square metres respectively

During the year, sales results of property development projects were good where contracted sales of properties and sales amount for primary land development totalled RMB20,994.0 million, and land reserves were expanded with the successful acquisitions in Beijing, Shanghai, Changsha, Ningbo, Chongqing and Guangzhou

Contract Sales Amount
(RMB million)

+33%

PROPERTY LEASING
Stable Income

Five high-end investment properties with a total gross floor area of approximately 530,000 square metres

High rental level and high occupancy rate of investment properties, outperforming its peers

Rental Revenue
(HK$ million)

+13%

HOTEL OPERATIONS
Industry Leader

Seven luxury hotels offering 3,030 guest rooms

Remarkable performance of hotel operations, outperforming its peers

Hotel Revenue
(HK$ million)

+3%

Major Events

January 2013

- Changsha Meixi Lake International New City was nominated as the one of the first batch national smart cities (trial) (國家智慧城市試點) of the Ministry of Housing and Urban-Rural Development of the PRC.
- Franshion Properties acquired the land parcel of Beijing Yizhuang Jin Mao Yue Project.

February 2013

- Franshion Properties successfully acquired Nanjing International Center Project.

March 2013

- Phase VI of Beijing Guangqu Jin Mao Palace Project – the Yue Mansion (悦公館) commenced sales and attained an absorption rate of 100%.

April 2013

- Chairman HE Cao was honoured as one of the "Top 20 Pudong New District Economic Figures for 2012" and was granted the "Industry Development Award for 2012" (浦東新區2012年度經濟人物20強暨2012年度行業開拓獎).

May 2013

- Phase II of Beijing Asian Olympics Jin Mao Yue Project commenced sales and attained an absorption rate of 100%.

July 2013

- Phase I of Qingdao Jin Mao Bay Project commenced the second round sales with an absorption rate of 95%.
- Phase II of Changsha Jin Mao Meixi Lake Project commenced sales with an absorption rate of 82%.

August 2013

- Franshion Properties issued US$200 million senior notes by way of private placement for the first time. The notes have a coupon rate of 6.4% and a term of 8.67 years.
- Suzhou Gusu Jin Mao Palace Project introduced Warburg Pincus, a global leading private equity firm to subscribe its equity interest at a consideration of US$81.95 million.

Major Events

September 2013

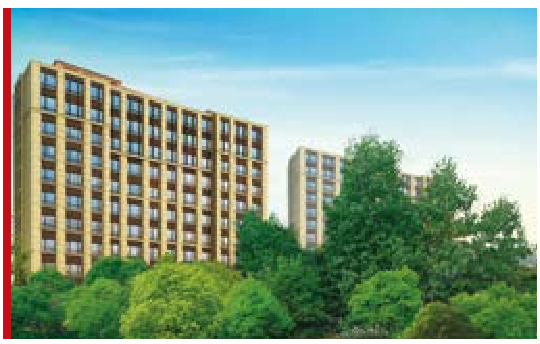
- Franshion Properties acquired the land parcel of Ningbo Nantang Jin Mao Palace Project.
- Franshion Properties acquired the land parcel of Guangzhou Nansha Project.

October 2013

- Franshion Properties successfully issued US$300 million notes with a term of five years at low cost with interest rate of 5.375% per annum.
- Franshion Properties became the second investor of Phase II of Changsha Meixi Lake International Service and Technology Innovation New City Project.

November 2013

- Phase I of Meixi Lake Jin Mao Yue Project commenced sales with an absorption rate of 86%. The selling price was at record high in the northern district of Meixi Lake.
- Phase I of Suzhou Gusu Jin Mao Palace Project commenced sales with an absorption rate of 90%.
- Jin Mao Properties (金茂物業公司) sold 1,000 tonnes carbon emission quota. This represents the first carbon emission related transaction in the PRC construction industry.



December 2013

- Franshion Properties acquired the land parcel of Chongqing Panlong Project.
- Ningbo Nantang Jin Mao Palace Project introduced The Blackstone Group L.P., a global leading private equity investor to subscribe its equity interests at a consideration of US$127.86 million.
- Phase I of Beijing Yizhuang Jin Mao Yue Project commenced sales with an absorption rate of 95%.

2014

- Franshion Properties acquired Hangzhou Gongshu District Project and Shanghai Zhabei Daning International Community Project.
- Shanghai North Bund Project was given the honourary title of the "National Green Building Model Site in Eastern China" (華東地區國家綠色建築示範推廣基地).

Corporate Information

COMPANY NAME
Franshion Properties (China) Limited

PRINCIPAL OFFICE
Rooms 4702-4703
47th Floor, Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

NON-EXECUTIVE DIRECTORS
Ms. LI Xuehua (Vice Chairman)
Mr. YANG Lin
Ms. SHI Dai

EXECUTIVE DIRECTORS
Mr. HE Cao (Chairman)
Mr. LI Congrui (Chief Executive Officer)
Mr. HE Binwu (Vice President)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. LIU Hongyu

CHIEF FINANCIAL OFFICER
Mr. JIANG Nan

QUALIFIED ACCOUNTANT
Mr. LIAO Chi Chiun

COMPANY SECRETARY
Mr. LIAO Chi Chiun

AUTHORISED REPRESENTATIVES
Mr. HE Cao
Mr. LI Congrui

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Latham & Watkins
18th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

Tian Yuan Law Firm
11th Floor, Tower C, Corporate Square
35 Financial Street, Xicheng District
Beijing, People's Republic of China

AUDITORS
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1 Tim Mei Avenue, Central, Hong Kong

STOCK CODE
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SHARE REGISTRAR AND TRANSFER OFFICE
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Financial Highlights

	2013 (HK$ million)	2012 (HK$ million)	Percentage change (%)
Revenue	20,718.9	17,175.7	21
Gross profit	9,200.3	7,198.7	28
Profit attributable to owners of the parent – less: fair value gains on investment properties (net of deferred tax)	2,910.3	2,158.3	35
Add: fair value gains on investment properties (net of deferred tax)	1,316.9	1,219.4	8
Profit attributable to owners of the parent	4,227.2	3,377.7	25
Total assets	120,843.3	82,502.2	46
Equity attributable to owners of the parent	33,561.9	28,877.8	16
Basic earnings per share (HK cents)	46.14	36.87	25
Basic earnings per share – less fair value gains on investment properties (net of deferred tax) (HK cents)	31.77	23.56	35
Dividend (HK cents)			
– final dividend per ordinary share	9.50	7.00	36
Net debt-to-adjusted capital ratio (%)	41	42	N/A

Note: Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances and pledged deposits – other financial assets (financial products))/(total equity + amount due to related parties).

Revenue (HK$ million)

Profit attributable to owners of the parent (HK$ million)

Chairman's Statement

"The Group will strive to be the leading high-end commercial real estate developer and operator in China, adhere to its core positioning strategy of maintaining prime quality, reinforce our two-wheel driven operating strategy of both property sales and holdings and achieve speedy, healthy and sustainable growth."

HE Cao
Chairman

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Franshion Properties (China) Limited ("Franshion Properties" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group", "we" or "us") for the year ended 31 December 2013 (the "Period under Review" or the "Year").

During the Period under Review, profit attributable to owners of the parent amounted to HK$4,227.2 million, representing an increase of 25% over that of last year. Basic earnings per share amounted to HK46.14 cents. If the fair value gains on investment properties, net of deferred tax, are excluded, the profit attributable to owners of the parent would be HK$2,910.3 million, representing an increase of 35% over that of last year. The Board has recommended the payment of a final dividend of HK9.50 cents per share, which will be subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

In 2013, under the favourable macro-economic environment brought about by the gradual recovery of domestic economy and the stabilising policies, the real estate industry achieved speedy growth. The adjustment and control over the real estate industry has shown an initial sign of marketization, but the administrative measures imposed on the real estate industry have not been completely phased out, as a result of which, tightened and relaxed policies are implemented in different cities, and market differentiation has further intensified. While there were greater growth opportunities in the residential, office, retail business and hotel segments, the risks they faced were also gradually accumulating.

Under this environment, the Group continued to reinforce its "two-wheel driven" strategy and successfully achieved its overall performance targets. In 2013, various business segments of the Group achieved synergistic development. Indicators such as revenue and profit attributable to owners of the parent increased significantly with notable growth in land reserves. The "green strategy" also achieved significant progress, which further strengthened its capacity of speedy, healthy and sustainable growth.

As for property development, adhering to its positioning strategy of "maintaining prime quality", the Group currently owns more than 20 projects under construction in 12 cities nationwide such as Beijing and Shanghai, and occupies an area of approximately 3 million square metres for projects that have commenced or resumed construction. In 2013, sales and construction of various projects progressed on schedule with significantly higher development and operation efficiency. Accumulated contracted sales for the Year amounted to RMB21 billion, representing an increase of 33% over the same period of last year, and the average absorption rate of the projects launched was over 90%. Changsha Meixi Lake International New City Primary Land Development Project achieved sales amount of approximately RMB6.4 billion with gross floor area amounting to over 2.1 million square metres. Lijiang Jin Mao Snow Mountain Whisper received strong positive responses from the market upon its launch, with a market share of over 90%. Its contracted sales for the Year were eight times of the contracted sales in Lijiang market for 2012.

As for commercial leasing, Grade A offices in the first-tier cities such as Beijing and Shanghai performed well with occupancy and rental rates at high levels. Given that all office buildings held by the Group are located at prime locations in first-tier and second-tier cities, the performance targets such as revenue and profit set at the beginning of the Year were exceeded in light of the booming market demand and rising occupancy rates and rental levels. In particular, Chemsunny World Trade Centre and Sinochem Tower, located along Chang'an Avenue in Beijing, enjoyed full occupancy for the third consecutive year. In the mean time, the occupancy rate and rental level of office buildings, namely Jin Mao Tower located in Pudong, Shanghai and Nanjing International Center located in Gulou District, Nanjing, continued to outperform its peers.

As for retail business development and operation, a number of high-quality retail commercial property projects have been developed and held by the Group nationwide. To further accelerate the expansion of its retail commercial segment, the Company set up the commercial division in the middle of the Year, specializing in professional commercial operations. The occupancy rates and rental levels of projects in operation such as J-Life Shanghai and J-Life Sanya continued to maintain their leading positions in the respective regions and kept increasing. The preparation for business recruitment for the projects under construction in Lijiang and Changsha progressed well. Nanjing International Shopping Mall acquired during the Year is in preparation for revamp renovation.

As for hotel investments and operations, as a result of the concentration of new supply of premium-star hotels, the promulgation of the Eight Provisions (八項規定) and the impact of the central government's improvement on normalization of relations (改進作風常態化) policy, the industry is facing greater pressure in operation. Various hotels of the Group actively adjusted the operating strategies in response to the overall downturn in the hotel industry and outperformed their peers under the same market conditions. The Ritz-Carlton, Sanya and Hilton Sanya Resort & Spa located in Yalong Bay, Sanya continued to maintain leading positions amongst their competitors in the region and be the market leaders in the high-end hotel market of the same region.

In 2013, the Group continued to step up its efforts in the acquisition of key resources including land and capital funding. In terms of land reserves, the Group further strengthened its regional distribution strategy in first-tier and second-tier cities. In January, the Group acquired the land parcel of Beijing Yizhuang Jin Mao Yue Project. In February, the Group acquired Nanjing International Center Plaza Project. In September, the Group successively acquired the land parcels of Ningbo Nantang Jin Mao Palace Project and Guangzhou Nansha Project. In October, the Group was selected as the investor of Phase II of Changsha Meixi Lake International New City Project. In December, the Group acquired the land parcel of Chongqing Panlong Project. In early 2014, the Group acquired the land parcel in Hangzhou Gongshu District Project and the land parcel in Shanghai Zhabei Daning International Community Project. As at the date of this report, the Group has a quality land reserves of 27.50 million square metres. As for capital funding, the Group continued to diversify its financing channels and optimise its financing structure. The Group, for the first time, successfully issued US$200 million notes by way of private placement. At the same time, it seized the window period and successfully issued US$300 million notes by way of public offering. It also successfully introduced the equity funding of approximately RMB6.0 billion. These provided abundant funding for the speedy development of the Group.

In 2013, the Group continued to promote green technology application and product innovation. The "green strategy" has become a crucial "soft power" of the Company in achieving innovative development and differentiated competition. As to public infrastructure, Beijing Chemsunny World Trade Centre is the first office building in the PRC that is awarded with LEED-EB Platinum Certification. Jin Mao Tower is the highest building in the PRC that is awarded with LEED-EB Gold Certification. Changsha "Green Centre" is the first building in Asia that is granted with the British BREEAM's green building excellence award. As to residential properties, the Group developed a number of state green standards three-star green residential projects such as Qingdao Jin Mao Bay adhering to the "green gold label", introduced the green community management model and built green campuses at ancillary secondary and primary schools. The "green strategy" not only can strengthen the Company's cooperation with local governments and provide reliable support in acquiring quality resources, but also can significantly enhance the influence and industry position of the Company.

In addition to development, the Group also attaches great importance to fulfilling the social responsibility as a state-owned enterprise and a listed company. As a member of the "International Green Campus Alliance", the Company has built three green schools in Beijing, Changsha and Qingdao, providing an environmentally-friendly and healthy school environment for both the teachers and students. The Group actively participated in the construction of affordable housing and social welfare activities. Beijing Yizhuang Jin Mao Yue Project has committed to building 1,522 units of affordable housing (occupying an area of 99,000 square metres), reflecting the close connection between the growth of the Company and the city's development. Meanwhile, the Company actively promoted donations to the schools for children of rural migrant workers and subsidies for the building of drinking wells in rural areas in adherence to the Company's corporate culture and philosophy of giving back to the community. The Company also organised the "Sustainability and Corporate Social Responsibility Forum" and published feature articles on major media bodies to call for other enterprises' active participation in fulfilling their corporate social responsibilities. Being a good corporate citizen, the Group won the "Real Estate Developer of the Year – Benevolence Business" (房企年度仁商實踐獎) awarded by *China Business News*.

Looking into year 2014, while the macro-economy of the PRC will continue to stabilise and flourish, despite that the administrative measures will remain in the near term, we have strong confidence in the long-term development of the real estate market in the PRC, where the real estate industry will see rational growth trends benefiting from the gradual establishment of a long-term macro control mechanism. The Group will strive to be the leading high-end commercial real estate developer and operator in China, adhere to its core positioning strategy of maintaining prime quality, reinforce our two-wheel driven operating strategy of both property sales and holdings, and achieve speedy, healthy and sustainable growth. The Group firmly believes that, by leveraging on its abundant resources on land, capital, talents and partners, coupled with its core competitive strengths including leading organisational capability, sound operations, mature capital operations, sound risk management and unparalleled innovation capability, we will achieve greater development progress in the course of macro control and industry consolidation.

On behalf of the Board, I would like to express our sincere gratitude to our customers, business partners, shareholders, and all employees of the Company. Franshion Properties will continue to use its best endeavours and exert its innovative ideas to make progress, achieve better results and create greater value for its shareholders.

HE Cao
Chairman

Hong Kong
26 February 2014

HONOURS AND AWARDS

MAJOR INTEGRATED AWARDS

- In May 2013, at the "Chinese Listed Real Estate Developers Research Conference 2013" (2013中國房地產上市公司研究成果發布會) jointly organised by the Enterprise Research Institute under the Development Research Centre of the State Council, the Real Estate Research Institute of Tsinghua University and China Index Academy, Franshion Properties was named one of the "Top 10 Hong Kong Listed China Real Estate Developers in Overall Performance" (中國大陸在港上市房地產公司綜合實力TOP10).
- In June 2013, Franshion Properties was granted the "China Blue Chip Real Estate 2013" (2013年中國藍籌地產企業) award by Economic Observer.
- In July 2013, at the first Trends Forum on Commercial Properties (商業地產新趨勢論壇) organised by the Commercial Real Estate Professional Committee of China Real Estate Association and house.china.com.cn (地產中國網), Franshion Properties was granted the title of "Top Ten Leading Enterprises in the Chinese Commercial Real Estate Industry" (中國商務地產十大領軍企業).
- In August 2013, Franshion Properties was accredited the "Most Influential Property Developer" (最具影響力地產企業), whereas Jin Mao brand was granted the " Most Influential Real Estate Brand" (最具影響力地產品牌) at the Boao Real Estate Forum 2013 (2013年博鰲房地產論壇).
- In November 2011, Franshion Properties was honoured the "Real Estate Developer of the Year – Benevolence Business" (房企年度仁商實踐) and one of the "Top 20 Hong Kong Listed China Real Estate Stocks in Value" (地產價值榜中資港股top20) by China Business News.
- In November 2013, Franshion Properties was accredited the "Brand Enterprise of the Year in 2013" (2013年度品牌企業) by New Real Estate.
- In December 2013, Franshion Properties was awarded the "Real Estate Pioneer Brand 2013" (2013年度先鋒品牌地產) by house.163.com (網易房產).

MAJOR PROPERTY DEVELOPMENT AWARDS

- In April 2013, Franshion Changsha was honoured the "Outstanding Contribution Enterprise" (突出貢獻企業) for the development of open economy in Hunan Province in 2012.
- In May 2013, the construction of the Western Site of Shanghai International Shipping Service Center Project was accredited the "Energy Saving Building Model Project in Shanghai" (上海市建築節能示範項目) by Shanghai Urban Construction and Communications Commission and Shanghai Municipal Office of Energy Saving Building (上海市建築節能辦公室).
- In June 2013, the "Model Research on Integrated Application of Key Technologies in Low-carbon Community Construction" (低碳社區建設關鍵技術集成應用示範研究) under the Key Technology R&D Programme under the Eleventh Five-Year Plan undertaken by Franshion Shanghai successfully passed the evaluation and inspection by the appraisal experts and the Ministry of Science and Technology.
- In September 2013, buildings no.1-9 of Changsha Meixi Lake International R&D Centre and buildings no.14-32 of Changsha Jin Mao Meixi Lake Phase II were accredited as the "Green Building Construction Project in Hunan Province" (湖南省綠色建築創建項目).
- In October 2013, buildings no.1-13 of of Changsha Jin Mao Meixi Lake Residential Project Phase I (high-rise portion) and Changsha Meixi Lake International R&D Centre were honoured the "One Star Green Building Design".
- In December 2013, Franshion Properties' Green Centre Project was the first project in Asia being awarded the British BREEAM Green Building Excellence Award (BREEAM綠色建築傑出獎).
- In December 2013, at the 10th Jing Rui Science and Technology Award organised by China Real Estate Chamber of Commerce, Franshion Properties' Green Centre ("綠方中心") Project was granted the Gold Award for Green Living (綠色人居), whereas Phase I of Qingdao Jin Mao Bay Project and Grand Hyatt Lijiang Project won the Merit Award for Green Living (綠色人居) and the Merit Award for Building and Interior Design (建築與室內設計) respectively.
- In December 2013, Franshion Beijing was titled "Memorable Beijing Real Estate of the Year 2013" (2013年北京房地產年度記憶大獎) by house.sin.com.cn (新浪樂居) and one of the "Top 10 Brands of the Year 2013" by Lifestyle (精品購物指南).
- In January 2014, Shanghai North Bund Project was listed as the first batch of the national green building site by China Green Building Council (中國綠建委) – the National Green Building Model Site in Eastern China (華東地區國家綠色建築示範推廣基地).

HONOURS AND AWARDS

MAJOR HOTEL AWARDS

- In March 2013, at the 8th China Hotel Starlight Awards, Jin Mao Group was named the "Best Employer of China Hotel Industry" (中國酒店業最佳業主).

GRAND HYATT SHANGHAI

- In April 2013, Grand Hyatt Shanghai was named the "City Landmark Hotel 2012-2013" (2012-2013城市地標酒店) by the Organising Committee of China Hospitality Summit (中國飯店業年會組織委員會).

THE RITZ-CARLTON, SANYA

- In October 2013, The Ritz-Carlton, Sanya was rated as one of the "Top 10 Luxurious Resort Hotels" (十佳度假奢華酒店獎) by City Traveler (城市旅游)
- In October 2013, The Ritz-Carlton, Sanya was honoured one of the "Top 100 Hotels in China" by Travel + Leisure China.

HILTON SANYA RESORT & SPA

- In May 2013, Hilton Sanya Resort & Spa was rated one of the "Top 10 Resort Hotels – Beautiful China" (美麗中國十大旅游度假酒店) and "Top 10 Beautiful Hotels – Beautiful China" (美麗中國十大美麗酒店).
- In June 2013, Hilton Sanya Resort & Spa was accredited the "Excellence Award 2013" by Tripadvisor.

WESTIN BEIJING, CHAOYANG

- In January 2013, Westin Beijing, Chaoyang was honoured the "Best Business Hotel 2012" by Travel + Leisure (旅游休閑).
- In March 2013, Westin Beijing, Chaoyang was rated the "Best Experience Hotel 2012 – Most Comfortable Guest Room" by Beijing News.

JW MARRIOTT SHENZHEN

- In January 2013, JW Marriott Shenzhen was rated the "Best Business Traveller – Beloved Business Hotel in Guangdong Hongkong Macau 2012" (2012粵港澳地區最受商旅人士歡迎的商務酒店) by Let's Go (港澳直通)
- In May 2013, JW Marriott Shenzhen was granted the "Most Valuable Brand Culture Hotel in China 2013" (2013年中國酒店最具品牌文化價值) at the Five-Star Diamond Award (五星鑽石獎) by China Hotel Investors' Alliance.

WESTIN NANJING

- In August 2013, Westin Nanjing was honoured the "Award of Excellence of the Year" (年度卓越獎) by DaoDao.com (到到網).
- In October 2013, Westin Nanjing was named the "Best City Business Hotel" (最佳城市商務酒店) by Travel Plus (私家地理).
- In October 2013, Westin Nanjing was accredited the "Best Service Hotel Award" by City Traveler (城市旅游).

OFFICE AND OTHER PROJECT AWARDS

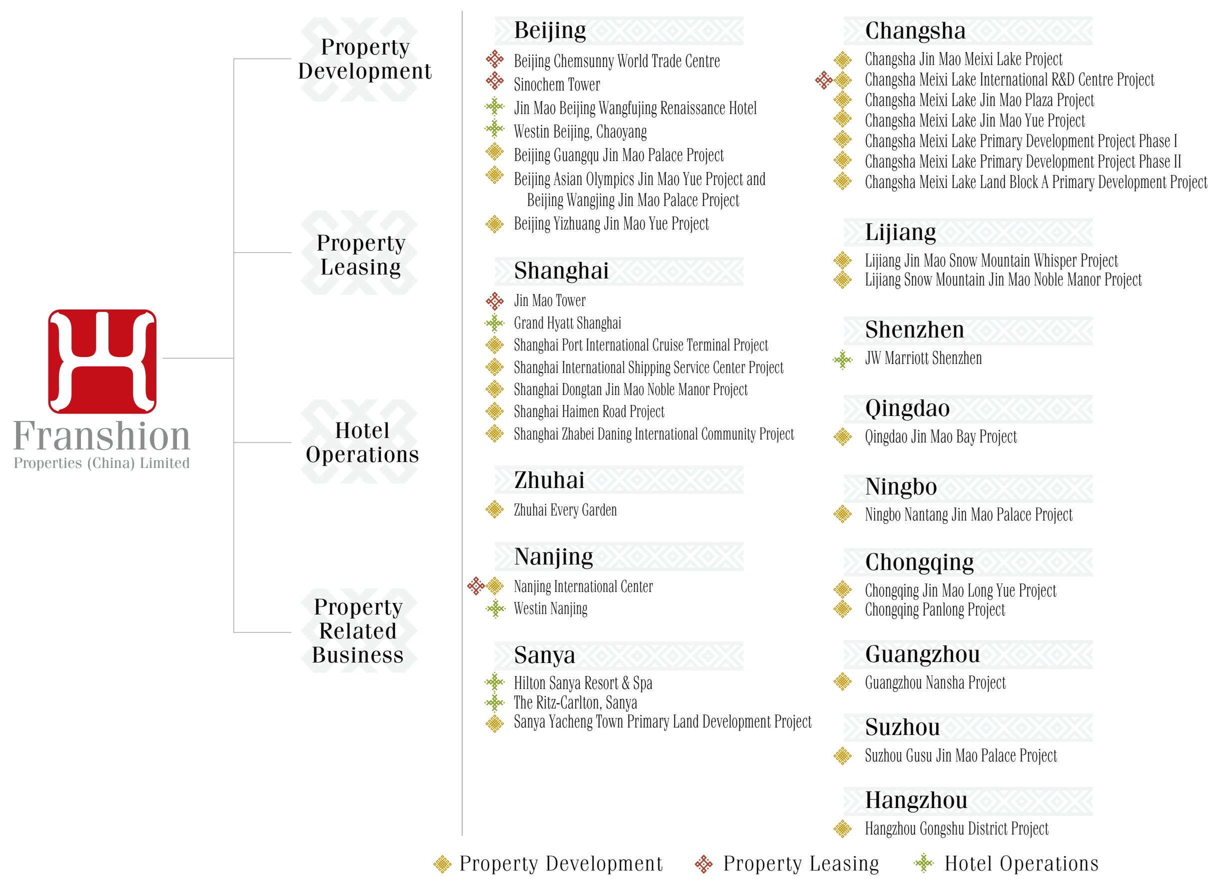
- In April 2013, Beijing Chemsunny World Trade Centre was the first office building in China awarded with the LEED-EB Platinum Certification.
- In April 2013, Sinochem Tower Property Management Centre in Beijing was named the "Property Management Model Project (5-Star) Building in Beijing" (北京市物業管理示範項目(五星級)大廈).
- In June 2013, Jin Mao (Shanghai) Property was honoured "Shanghai Association for Quality – Excellent Member" (上海市質量協會優秀會員單位).
- In November 2013, Jin Mao Tower passed the LEED-EB Gold Certification and became the longest-operating and tallest existing building granted with the LEED-EB Gold Certification in China.

Management Discussion and Analysis

In 2013, as the macro economy and the real estate industry of China gradually stabilised, the Company benefited from the favourable environment of speedy expansion of the market size of the real estate industry. Capitalising on the "high-end with quality" and "two-wheel driven" strategies, the Company took a proactive approach and strived for excellence. It not only continued to enhance the quality of its products, but also achieved another set of record breaking operating results, which gradually increased the value and core competitiveness of the Company.

Looking back to 2013, the Group's three major business segments all forged ahead with remarkable results performance. As to property development, the scale of development increased quickly. During the Year, a number of projects commenced sales and were all sold out on the date of launch. It had an average absorption rate of 90% and contracted sales of approximately RMB21 billion, representing an increase of approximately 33% as compared with the same period of last year. As to property leasing, the Group firmly grasped the market opportunities arising from the booming demand for high-end office buildings in Beijing and Shanghai. Occupancy rate remained high and rental level continued to rise. In particular, two office buildings in Beijing had full occupancy for consecutive months and rental level continued to rise. Occupancy rate of the offices in Jin Mao Tower remained high with its rental level substantially higher than that of the same period of last year. For hotel operations, the Group aggressively coped with the effects of policies, flexibly adjusted the pricing strategies, expanded the sales channels and implemented strict cost control, the effects of which were eminent. As the two hotels in Sanya continued to consolidate its leading edge, Westin Beijing, Chaoyang was ranked first within the region among its competitive hotel peers, and Westin Nanjing and JW Marriott Shenzhen recorded steady growth in operating results.

In striving for the best results for the period, the Group also attached much importance to the management of projects under construction and availability of strategic resources with a view to establishing a solid foundation for performance growth in the future. In 2013, all of the Group's projects under construction were well under way. All key project nodes were completed on schedule or in advance. At the same time, the Group successfully acquired Beijing Yizhuang Jin Mao Yue Project in January, Nanjing International Center Project in February, Ningbo Nantang Jin Mao Palace Project and Guangzhou Nansha Project in September, Changsha Meixi Lake Primary Development Phase Project II in October, Chongqing Panlong Project in December as well as the land parcel in Hangzhou Gongshu District Project and the land parcel in Shanghai Zhabei Daning International Community Project in early 2014, respectively. The newly acquired projects since 2013 had a total gross floor area of approximately 15.34 million square metres, providing the Company with important strategic resources for its sustainable development.



Our Property Map

In 2013, Franshion Properties' green strategies made remarkable achievements and were widely recognised by the market. A number of projects have been granted the green building certification. In particular, the Shanghai Port International Cruise Terminal Project, Shanghai International Shipping Service Center Project and the Shanghai Haimen Road Project invested and constructed by Franshion Properties as the green building model construction projects in Shanghai North Bund and Shanghai City were successfully accredited as the "National Green Building Model Sites" (國家綠色建築示範推廣基地) in Eastern China. In Changsha, Franshion Properties joined hands with experts of sustainable architecture from China and the UK to develop the Meixi Lake "Green Centre" Low Carbon Building into the first project in Asia that is granted with the BREEAM standard – outstanding category. We received a number of accolades and awards for our green efforts, of which, we were granted three awards at the Jing Rui Science and Technology Award. We also actively participated in the study of national issues on green strategies and the formulation of national standards; participated in one session under the "Key Technology R&D Programme of the Ministry of Science and Technology under the Eleventh Five-Year Plan"; participated in five sessions under the "Key Technology R&D Programme of the Ministry of Science and Technology under the Twelfth Five-Year Plan"; participated in the formulation of three standards under the "National Standards"; and obtained two national patents. Meanwhile, in performing its social responsibilities, Franshion Properties worked with the student committee of China Green Campus to publish the teaching materials "Green Campus and the Future" (《綠色校園與未來》) and became the first batch of corporate core members of International Green Campus Alliance. Franshion Properties endeavours to become the industry landmark model and the paradigm application enterprise in green development.

In 2013, its remarkable performance was recognised and affirmed by its peers, the capital market and the media, received a number of awards in various areas and was increasingly accredited in the industry. In May, it was granted the "Top 10 China Real Estate Developers Listed in Hong Kong in terms of Comprehensive Strengths". In June, Franshion Properties again was granted the best investor relations award in Asia for 2013 (2013年亞洲區最佳投資者關係獎項) by Institutional Investor. In July, it was granted the title of "Top Ten Leading Enterprises in the Chinese Commercial Real Estate Industry" (中國商務地產十大領軍企業). In August, it was accredited as the "Most Influential Property Developer" (最具影響力地產企業). Jin Mao brand was granted the "Most Influential Real Estate Brand" (最具影響力地產品牌) award. The basis of these accolades and awards is the perseverance of Franshion Properties towards responsibility, green efforts and high quality, which are the constant virtues that Franshion Properties strives for.

Management Discussion and Analysis

| Project Overview |

GENERAL INFORMATION BY SEGMENTS

Franshion Properties Total gross floor area: 27,496,814 square metres					
Property Leasing Total gross floor area: 531,057 square metres	Hotel Operations Total gross floor area: 441,617 square metres Number of guest rooms: 3,030	Property Development Total gross floor area: 26,524,140 square metres			
		Completed projects: *(unsold portion)*	Projects under development:	Reserved projects:	Land primary development:
Beijing Chemsunny World Trade Centre: 110,760 square metres	Grand Hyatt Shanghai: 76,013 square metres, 555 rooms	Parking spaces of Beijing Chemsunny World Trade Centre: 42,117 square metres	Shanghai International Shipping Service Center Project: 446,874 square metres*	Shanghai Haimen Road Project: 426,060 square metres*	Changsha Meixi Lake Primary Land Development Project Phase I: 4,303,727 square metres*
Jin Mao Tower (excluding hotel): 216,462 square metres	Hilton Sanya Resort & Spa: 75,208 square metres, 501 rooms	Zhuhai Every Garden: 4,373 square metres	Shanghai Dongtan Jin Mao Noble Manor Project: 130,707 square metres*	Nanjing International Center Project Phase II: 227,300 square metres*	Changsha Meixi Lake Primary Land Development Project Phase II: 12,680,000 square metres*
Sinochem Tower: 49,066 square metres	Jin Mao Beijing Wangfujing Renaissance Hotel: 44,435 square metres, 329 rooms	Portion above ground of Building No.11 of Shanghai Port International Cruise Terminal Project: 6,165 square metres	Beijing Guangqu Jin Mao Palace Project: 196,482 square metres*	Ningbo Nantang Jin Mao Palace Project: 225,160 square metres*	Changsha Meixi Lake Land Block A Primary Development Project: 828,966 square metres*
Nanjing International Center Phase I (excluding hotel): 139,806 square metres	The Ritz-Carlton, Sanya: 83,772 square metres, 450 rooms	Nanjing International Center Project Phase I: 10,205 square metres	Qingdao Jin Mao Bay Project: 513,189 square metres*	Guangzhou Nansha Project: 778,652 square metres*	Sanya Yazhouwan Project: 916,741 square metres*
Changsha Meixi Lake International R&D Centre: 14,963 square metres	Westin Beijing, Chaoyang: 77,945 square metres, 550 rooms		Changsha Jin Mao Meixi Lake Project: 437,028 square metres*	Chongqing Panlong Project: 300,000 square metres*	
	JW Marriott Shenzhen: 51,730 square metres, 411 rooms		Lijiang Jin Mao Snow Mountain Whisper Project: 266,481 square metres*	Hangzhou Gongshu District Project: 242,300 square metres*	
	Westin Nanjing: 32,514 square metres, 234 rooms		Lijiang Snow Mountain Jin Mao Noble Manor Project: 49,485 square metres*	Shanghai Zhabei Daning International Community Project: 289,200 square metres*	
			Chongqing Jin Mao Long Yue Project: 500,644 square metres*		

Franshion Properties Total gross floor area: 27,496,814 square metres					
Property Leasing Total gross floor area: 531,057 square metres	Hotel Operations Total gross floor area: 441,617 square metres Number of guest rooms: 3,030	Property Development Total gross floor area: 26,524,140 square metres			
		Completed projects: *(unsold portion)*	Projects under development:	Reserved projects:	Land primary development:
			Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project: 395,831 square metres*		
			Changsha Meixi Lake International R&D Centre Project: 108,902 square metres*		
			Beijing Yizhuang Jin Mao Yue Project: 414,782 square metres*		
			Changsha Meixi Lake Jin Mao Plaza Project: 954,770 square metres*		
			Changsha Meixi Lake Jin Mao Yue Project: 485,577 square metres*		
			Suzhou Gusu Jin Mao Palace Project: 342,422 square metres*		

Management Discussion and Analysis

Project Overview

1. PROPERTY INVESTMENT PROJECTS

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)	Area held (square metres)	Hotel area (square metres)
Beijing Chemsunny World Trade Centre	Nos. 26, 28 and 30, Fuxingmen Nei Avenue, Xicheng District, Beijing City, China	21,659	194,530	Office	Holding and selling	100%	2006	41,653	42,117	110,760	–
Sinochem Tower	No. A2 Fuxingmen Wai Avenue, Xicheng District, Beijing City, China	5,833	49,066	Office	Holding	100%	1995	–	–	49,066	–
Jin Mao Tower (including hotel)	No. 88 Shiji Dadao, Pudong New District, Shanghai City, China	23,611	292,475	Office	Holding	100%	1999	–	–	216,462	76,013
Nanjing International Center Project Phase I (including hotel)	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	19,852	225,846	Complex	Holding and selling	51%***	2011	43,321	10,205	139,806	32,514
Changsha Meixi Lake International R&D Centre	Dahexi Pilot Zone, Changsha City, Hunan Province, China	46,353	132,856	Office	Holding and selling	80%	2016	8,991	108,902	14,963	–

2. HOTEL OPERATION PROJECTS

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Number of guest rooms
Jin Mao Beijing Wangfujing Renaissance Hotel	No. 57 Wangfujing Avenue, Dongcheng District, Beijing City, China	9,858	44,435	Hotel	Holding	100%	1995	329
Grand Hyatt Shanghai	No. 88 Shiji Dadao, Pudong New District, Shanghai City, China	**	76,013	Hotel	Holding	100%	1999	555
Hilton Sanya Resort & Spa	Yalong Bay Resort, Sanya City, Hainan Province, China	108,610	75,208	Hotel	Holding	100%	2006	501
The Ritz-Carlton, Sanya	Yalong Bay Resort, Sanya City, Hainan Province, China	153,375	83,772	Hotel	Holding	100%	2008	450
Westin Beijing, Chaoyang	Nos. 1-3 Xinyuan South Road, Chaoyang District, Beijing City, China	8,642	77,945	Hotel	Holding	100%	2008	550
JW Marriott Shenzhen	No. 6005 Shennan Boulevard, Futian District, Shenzhen City, Guangdong Province, China	4,471	51,730	Hotel	Holding	100%	2009	411
Westin Nanjing	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	***	32,514	Hotel	Holding	51%***	2011	234

Management Discussion and Analysis

Project Overview

3. PROPERTY DEVELOPMENT PROJECTS

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
A. **Completed projects**									
Site B of Shanghai Port International Cruise Terminal Project	No.610 Dong Da Ming Road, Hongkou District, Shanghai City, China	85,089	302,080	Commercial	Selling	50%	2011	302,080	–
Of which: Portion above ground of Building No.11 of Shanghai Port International Cruise Terminal Project	No.610 Dong Da Ming Road, Hongkou District, Shanghai City, China		6,165	Commercial	Selling	50%	2011	–	6,165
Zhuhai Every Garden	No. 11 North of Zhuhai Qinglv Avenue, Xiangzhou District, Zhuhai City, Guangdong Province, China	43,499	137,225	Residential	Selling	100%	2008	132,852	4,373

Note: For information of the completed but unsold portion of Beijing Chemsunny World Trade Centre and Nanjing International Center Phase I, please see "1. PROPERTY INVESTMENT PROJECTS".

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
B. Projects under development									
Beijing Guangqu Jin Mao Palace Project	Northwest of Dajiaoting Bridge, Chaoyang District, Beijing City, China	155,918	368,342*	Residential	Selling	100%	2014	171,860	196,482
Shanghai International Shipping Service Center Project	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai City, China	95,594	530,933*	Complex	Holding and selling	50%	2016	84,059	446,874
Shanghai Dongtan Jin Mao Noble Manor Project	Riverside Leisure Sport and Residential Community, Chenjia Town, Chongming Island, Shanghai City, China	220,000	173,899*	Commercial/ Residential	Holding and selling	100%	2014	43,192	130,707
Qingdao Jin Mao Bay Project	West of Sichuan Road, Shinan District, Qingdao City, Shandong Province, China	131,202	513,189*	Commercial/ Residential	Holding and selling	100%	2016	N/A	N/A
Lijiang Jin Mao Snow Mountain Whisper Project	Lijiang World Heritage Park, Lijiang City, Yunnan Province, China	466,670	266,481*	Commercial/ Residential	Holding and selling	100%	2016	N/A	N/A
Lijiang Snow Mountain Jin Mao Noble Manor Project	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, China	103,974	49,485*	Commercial/ Residential	Holding and selling	100%	2016	N/A	N/A
Changsha Jin Mao Meixi Lake Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	156,767	525,940*	Residential	Selling	100%	2015	88,912	437,028
Chongqing Jin Mao Long Yue Project	West of Pedestrian Street, Yangjiaping, Jiulongpo District, Chongqing City, China	101,096	500,644*	Residential	Selling	100%	2015	N/A	N/A
Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project	Three land parcels B1, B2 and B3 in Laiguangying Village, Chaoyang District, Beijing City, China	92,768	395,831*	Residential	Selling	51%	2015	N/A	N/A
Beijing Yizhuang Jin Mao Yue Project	Beijing Economic and Technological Development Area, Beijing City, China	134,,858	414,782*	Residential	Selling	51%	2016	N/A	N/A
Changsha Meixi Lake Jin Mao Plaza Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	152,995	954,770*	Complex	Holding and selling	100%	2016	N/A	N/A
Changsha Meixi Lake Jin Mao Yue Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	154,607	485,577*	Residential	Selling	70%	2016	N/A	N/A
Suzhou Gusu Jin Mao Palace Project	Gusu District, Suzhou City, Jiangsu Province, China	86,018	342,422*	Residential	Selling	80%	2016	N/A	N/A

Note: For information of the property under development, Changsha Meixi Lake International R&D Centre, please see "1. PROPERTY INVESTMENT PROJECTS".

Management Discussion and Analysis

Project Overview

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
C. Reserved projects									
Shanghai Haimen Road Project	City Centre of North Bund, Shanghai City, China	40,577	426,060*	Complex	Holding and selling	50%	2016	N/A	N/A
Nanjing International Center Project Phase II	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	18,068	227,300*	Complex	Holding and selling	51%***	2017	N/A	N/A
Ningbo Nantang Jin Mao Palace Project	Yinfeng Area, Haishu District, Ningbo City, Zhejiang Province, China	62,458	225,160*	Commercial/ Residential	Selling	51%	2017	N/A	N/A
Guangzhou Nansha Project	Nansha District, Guangzhou City, Guangdong Province, China	243,400	778,652*	Commercial/ Residential	Selling	100%	2017	N/A	N/A
Chongqing Panlong Project	Panlong Area, Jiulongbo District, Chongqing City, China	47,036	300,000*	Commercial/ Residential	Selling	100%	2015	N/A	N/A
Hangzhou Gongshu District Project	Gongshu District, Hangzhou City, Zhejiang Province, China	61,160	242,300*	Commercial/ Residential	Selling	100%	2017	N/A	N/A
Shanghai Zhabei Daning International Community Project	Jie fang 325 Daning Road, Zhabei District, Shanghai City, China	96,429	289,200*	Residential	Selling	100%	2016	N/A	N/A

4. PRIMARY LAND DEVELOPMENT PROJECTS

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
Changsha Meixi Lake Primary Land Development Project Phase I	Dahexi Pilot Zone, Changsha City, Hunan Province, China	2,808,428	9,402,328*	Primary	Selling	80%	2017	5,098,601	4,303,727
Changsha Meixi Lake Primary Land Development Project Phase II	Dahexi Pilot Zone, Changsha City, Hunan Province, China	4,535,600	12,680,000*	Primary	Selling	70%****	2020	N/A	N/A
Changsha Meixi Lake Land Block A Primary Development Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	276,322	828,966*	Primary	Selling	80%	2014	N/A	N/A
Sanya Yacheng Town Primary Land Development Project	Riverbank of Yanzao, Yacheng Town, Sanya City, Hainan Province, China	1,000,005	916,741*	Primary	Selling	51%	2018	N/A	N/A

PROJECT ACQUISITION SINCE 2013

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)	Area held (square metres)	Hotel area (square metres)
Beijing Yizhuang Jin Mao Yue Project	Beijing Economic and Technological Development Area, China	134,858	414,782*	Residential	Selling	51%	2016	N/A	N/A	N/A	N/A
Nanjing International Center Project Phase I (including hotel)	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	19,852	225,846	Complex	Holding and selling	51%***	2011	43,321	10,205	139,806	32,514
Nanjing International Center Project Phase II	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	18,068	227,300*	Complex	Holding and selling	51%***	2017	N/A	N/A	N/A	N/A
Ningbo Nantang Jin Mao Palace Project	Yinfeng Area, Haishu District, Ningbo City, Zhejiang Province, China	62,458	225,160*	Commercial/ Residential	Selling	51%	2017	N/A	N/A	N/A	N/A
Guangzhou Nansha Project	Nansha District, Guangzhou City, Guangdong Province, China	243,400	778,652*	Commercial/ Residential	Selling	100%	2017	N/A	N/A	N/A	N/A
Chongqing Panlong Project	Panlong Area, Jiulongbo District, Chongqing City, China	47,036	300,000*	Commercial/ Residential	Selling	100%	2015	N/A	N/A	N/A	N/A
Hangzhou Gongshu District Project	Gongshu District, Hangzhou City, Zhejiang Province, China	61,160	242,300*	Residential	Selling	100%	2017	N/A	N/A	N/A	N/A
Shanghai Zhabei Daning International Community Project	Jie fang 325 Daning Road, Zhabei District, Shanghai City, China	96,429	289,200*	Residential	Selling	100%	2016	N/A	N/A	N/A	N/A
Changsha Meixi Lake Primary Development Project Phase II	Dahexi Pilot Zone, Changsha City, Hunan Province, China	4,535,600	12,680,000*	Primary	Selling	70%****	2020	N/A	N/A	N/A	N/A

* Estimated gross floor area

** Grand Hyatt Shanghai situated in Jin Mao Tower

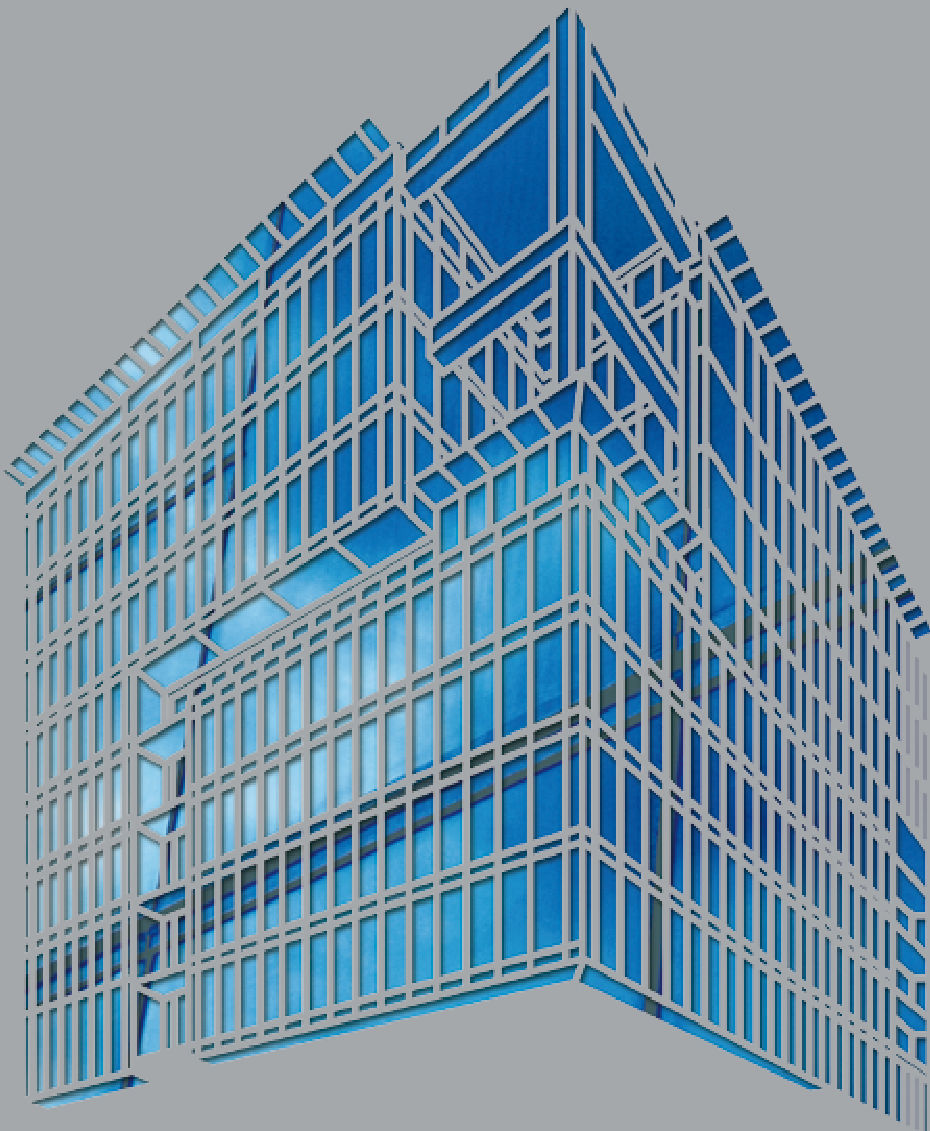
*** Westin Nanjing situated in Nanjing International Center. The Group holds 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing International Center Phases I and II.

**** The Company received an official letter from the Management Committee of Dahexi Pilot Zone in Changsha, confirming that the Company has been selected as the second investor of Phase II of the Project of Meixi Lake Primary Land Development Project. According to the Confirmation Letter, the total investment required for the Company, as the second investor, to complete all its related works under the Project, is estimated to be 70% of the total estimated investment of the Project. At the same time, the Company will be entitled to a full refund of its development costs, as well as a gain representing 70% of the appreciation of land within the area of the Project which is available for distribution to the investors.

Explore Architecture in its Prime

Property Leasing Segment

We have not only created benchmark properties that lead the industry, but also formed a driving force into the future, which guides us to create high quality real estate with sustainable development and continuous value enhancement under the mission of operational excellence.



Beijing Chemsunny World Trade Centre

Property Leasing

The Group endeavours to hold high-end commercial properties at the prime locations in cities and has holdings in high-end properties with a total gross floor area of approximately 530,000 square metres in Beijing, Shanghai and Nanjing. Beijing Chemsunny World Trade Centre and Jin Mao Tower held by the Group are landmarks at the prime CBDs in China. Jin Mao Tower was once the highest skyscraper in China. It is a perfect combination of the world's modern architectural design and the traditional Chinese architectural style (pagoda), and enjoys a high reputation nationwide and even worldwide. Beijing Chemsunny World Trade Centre distinguishes itself from other high-end office buildings in Beijing by its unique overall design style as well as its high-end ancillary facilities. In February 2013, the Group successfully acquired Nanjing International Center Project and obtained high-end properties with a gross floor area of approximately 140,000 square metres, whereas the portion held in Changsha Meixi Lake International R&D Centre of approximately 15,000 square metres commenced commercial operation during the reporting period.

The Group's strategy is to retain the properties with the highest investment value in the commercial property development project for rental income so as to ensure that stable cash inflows will be generated to the Group in the future to resist risks. As our office buildings are situated at favourable geographical locations and are of superior quality, the Group can achieve satisfactory operating performance and receive value-added gains from the appreciation of investment properties. The Group will also actively adjust the proportion of properties for holding and properties for sales with a view to achieving balanced operations and sustainable growth in performance.

In 2013, the occupancy rate and rental level of the properties held by the Group remained relatively high. In 2013, the market demand for offices in China continued to rise. The Group firmly made use of the favourable macro conditions, raised rental level, maintained the occupancy rate at a high level and further optimised its tenant structure, resulting in the increase in overall quality of leased properties.

As the Group's leased properties under construction commence commercial operation, the property leasing segment of the Group will grow substantially, generating long-term and stable revenue to the Group and becoming a key driver of profit contributions to the Group.

During the Year, the overall sales revenue from property leasing segment amounted to HK$1,248.8 million, which increased substantially over that of last year. The rental income for the Year was mainly derived from Beijing Chemsunny World Trade Centre and Jin Mao Tower.

Sales revenue from property leasing segment for the past three years (HK$ million)

2011	2012	**2013**
988.5	1,106.4	**1,248.8**

Property Leasing

Percentage of sales revenue attributable to leasing of each office building for 2013

Chemsunny World Trade Centre	Sinochem Tower	Jin Mao Tower	Nanjing International Center	Changsha Meixi Lake International R&D Centre
50%	9%	38%	2%	1%

Percentage of commercial leasing revenue for 2013

Shanghai J-Life	Nanjing International Shopping Mall	Sanya J-Life
67%	23%	10%

Average daily rental rate of office buildings (RMB)

	Chemsunny World Trade Centre	Sinochem Tower	Jin Mao Tower	Nanjing International Center	Changsha Meixi Lake International R&D Centre
2013	11.81	7.01	8.68	4.17	2.98
2012	11.34	5.97	8.05	4.18	N/A

Occupancy rate of office buildings

	Chemsunny World Trade Centre	Sinochem Tower	Jin Mao Tower	Nanjing International Center	Changsha Meixi Lake International R&D Centre
2013	99.3%	100%	98.7%	97.9%	100%
2012	100%	99.1%	97.0%	100%	N/A

Management Discussion and Analysis | Business Review

Property Leasing | Office Premises

Beijing Chemsunny World Trade Centre

(100% owned by the Group)

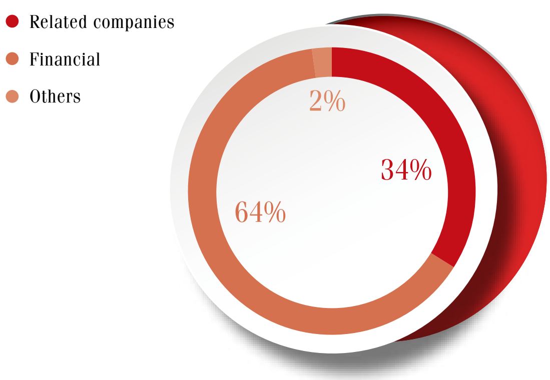
Situated on Fuxingmen Nei Avenue within the financial district of Beijing, Beijing Chemsunny World Trade Centre is adjacent to West Chang'an Avenue and opposite to Jinrong Street. The complex is less than ten minutes' walk from two subway lines and only one block to the west of the Second Ring Road.

The project comprises three parallel and interconnected 14-storey office buildings, being the East, Central and West Towers, respectively. The three office buildings comprise a total gross floor area of approximately 194,530 square metres. Construction of Beijing Chemsunny World Trade Centre commenced in April 2004 and the main body of the construction was completed in December 2006. The complex can provide separate offices for approximately 80 to 120 companies, and house as many as 5,000 employees. It distinguishes itself from other high-end office buildings in Beijing by the incorporation of a number of distinctive design elements and features. The Group holds 100% interests in the project.

The Central and West Towers and some floors in the East Tower of Beijing Chemsunny World Trade Centre are the Group's long-term investment and are held for leasing to external parties, with a total rentable area of approximately 110,760 square metres.

Due to its prime location, superior quality, advanced product design and high-end ancillary facilities, the property is widely recognised by its clients throughout the market, and a large number of international and domestic renowned enterprises have moved into Beijing Chemsunny World Trade Centre. As at 31 December 2013, the occupancy rate of Beijing Chemsunny World Trade Centre was 99.3% (as at 31 December 2012: 100%). Occupancy was basically full throughout the Year. The primary tenants of this property are Sinochem Group and its related companies, and some of the top companies from other fields including finance and consultancy.

Tenant structure of Beijing Chemsunny World Trade Centre



Sinochem Tower

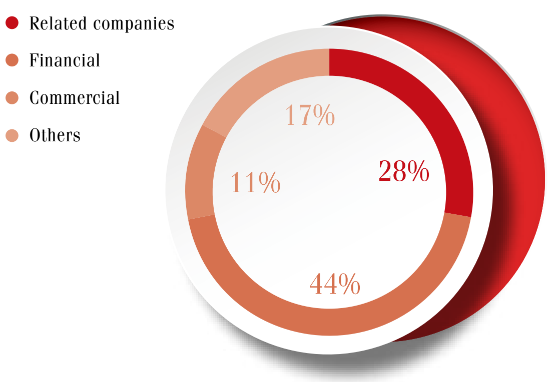
(100% owned by the Group)

Situated at the heart of Beijing on Fuxingmen Wai Avenue, the prime location of the business circle of the financial street which is less than 50 metres away from the subway station of the Beijing Subway Line One, Sinochem Tower is an office building supported by sophisticated office facilities and personalised services.

The 26-storey Sinochem Tower has a total gross floor area of approximately 49,066 square metres. The Group holds 100% interest in the Sinochem Tower.

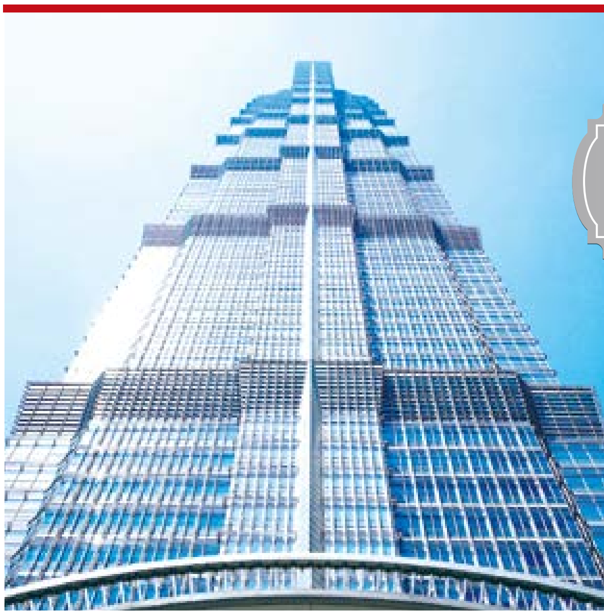
During the Year, the tenant structure of such property continued to improve and the quality of the building was enhanced with an increase of approximately 17% in average rental level over that in 2012. As at 31 December 2013, the occupancy rate was 100% (as at 31 December 2012: 99.1%). Occupancy was basically full throughout the Year. The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group.

| Tenant structure of Sinochem Tower |



Management Discussion and Analysis | Business Review

Property Leasing | Office Premises



Office portion of Jin Mao Tower

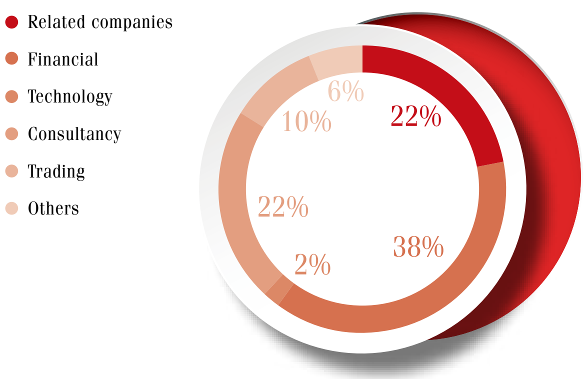
(100% owned by the Group)

Situated at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, Jin Mao Tower is one of China's landmark buildings attracting numerous businessmen, tourists and sightseers at home and abroad. The 420.5-metre-high 88-storey tower, with a total gross floor area of approximately 292,475 square metres, represents a perfect combination of China's traditional architectural techniques and the world's state-of-the-art technology.

The spacious, bright and imposing entrance hall of Jin Mao Tower is located on the first two floors. On the 3rd-50th floors are commodious office areas without poles, with a height between floors of 4 metres and a ceiling height of 2.7 metres. The 51st-52nd floors are designed for mechanical and electric rooms, and the 53rd-87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. The indoor observation deck is on the 88th floor. "J-Life" was constructed on the podium building connected to Jin Mao Tower and has become the brand new landmark of fashion in Shanghai. The Group owns 100% interest in Jin Mao Tower.

The 3rd-50th floors of Jin Mao Tower are made up of grade A offices, and the leaseable office area has a total gross floor area of approximately 122,131 square metres. Its excellent location, along with its superior landmark effects, makes the tower one of the first choices as place of business in Shanghai for prestigious corporations at home and abroad. In spite of the intensifying competition among office buildings due to the completion of a number of new office buildings in the surrounding areas during the Year, the average rental level grew by approximately 8% over that of 2012 and the occupancy rate remained high as proactive measures were adopted for such project. As at 31 December 2013, the occupancy rate of the offices in Jin Mao Tower was 98.7% (as at 31 December 2012: 97.0%).

Tenant structure of Jin Mao Tower



Office portion of Nanjing International Center Phase I

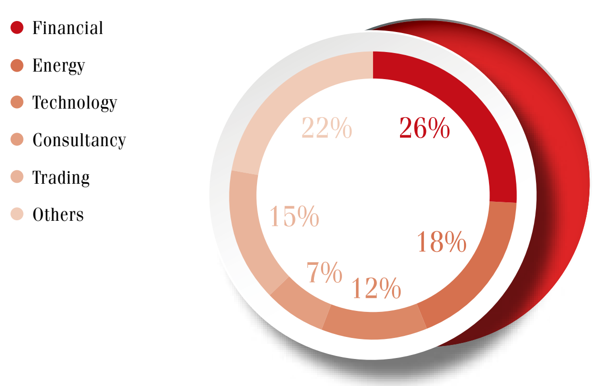
(51% owned by the Group)

Situated at the heart of Zhongyang Road, Gulou District, Nanjing City, Nanjing International Center faces Xuanwu Lake, enjoying a unique natural landscape and abundant commercial and cultural resources. Occupying a site area of 37,920 square metres and an estimated total gross floor area of approximately 453,146 square metres, it represents a perfect blend of the essence of Nanjing City with an international horizon, and one of the Top Ten New Landmark Complexes in China (中國十大新地標城市綜合體).

The Group successfully acquired Nanjing International Center Project in February 2013. Nanjing International Center Project comprises one super high-rise Main Tower, North Tower and South Tower as well as an 8-storey podium. The project is developed in two phases. Construction works of Phase I were completed and operation commenced in March 2011. The leasing business of Nanjing International Center includes the Grade A offices on the 11th to 16th floors of the South Tower of Phase I and the international shopping mall on the 1st to 8th floors of the podium of Phase I.

Nanjing International Center Phase I offices are constructed according to 5A standards recognised in North America. It has a total rentable area of 14,012 square metres and has officially commenced operation since 2011. In spite of the intensifying competition among office buildings due to the completion of a number of new office buildings within the region, the occupancy rate reached its historical high whilst the rental level remained steady as proactive measures were adopted for such project. As at 31 December 2013, the occupancy rate reached 97.9%. Capitalising on its superior geographical location, scenic and cultural resources as well as business circle synergies, it is one of the most popular venues for renowned enterprises or institutions locally and abroad to set up their offices in Nanjing.

| Tenant structure of Nanjing International Center |



Management Discussion and Analysis | Business Review

Property Leasing | Office Premises

Changsha Meixi Lake International R&D Centre

(80% owned by the Group)

Changsha Jin Mao Meixi Lake International R&D Centre Project is located in Dahexi Pilot Zone, Changsha City, Hunan Province, China and forms part of Changsha Meixi Lake. Situated at the south of Taohua Ridge of Yuelu Mountain Range, it is situated at the front door of Meixi Lake International New City. It enjoys convenient transportation connecting Metro Line No. 2, taking three minutes to the transportation hub of Dahexi in Changsha, five minutes to expressway, 15 minutes to Wuyi business circle in Changsha, 30 minutes to the airport and 40 minutes to the express rail link station with enormous potentials for capital appreciation.

In October 2012, the Group acquired Changsha Jin Mao Meixi Lake International R&D Centre Project. The project is positioned as a villa-type R&D office building and high-rise office building project with a site area of approximately 46,353 sq. m. and an estimated total gross floor area of approximately 132,856 sq. m. With the perfectly blended landscape of mountains and the lake, the project is a very rare high-end office building in Changsha or even Hunan. The project is developed and constructed in three phases where Phase I consists of nine villa-type R&D office buildings. Currently, all office buildings have been completed, and the lease and sales of eight of which were fully completed in 2013; whereas Phase II and Phase III consist of office buildings, the construction of which is expected to be fully completed in 2016.

In addition to the above office premises that are situated at the prime locations in the cities and new town cities, the Group also invests in the high-end office premises which are under construction in Shanghai, Nanjing and Changsha Meixi Lake for long-term holding. Currently, the Group's office premises under construction are as follows:

Name of project	Location	Estimated gross floor area (square metres)	Type of project	Equity attributable to the Group	Estimated date of completion
Office portion of Shanghai Haimen Road Project	Downtown of North Bund, Shanghai City, China	193,500	Office	50%	2016
Office portion of Nanjing International Center Phase II	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	72,200	Office	51%	2017
Office portion of Changsha Meixi Lake Jin Mao Plaza	Dahexi Pilot Zone, Changsha City, Hunan Province, China	55,000	Office	100%	2016
Office portion of Changsha Meixi Lake International R&D Centre Phase II and Phase III	Dahexi Pilot Zone, Changsha City, Hunan Province, China	108,902	Office	80%	2016
Office portion of Shanghai International Shipping Service Center	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai City, China	78,303	Office	50%	2016
		507,905			

* Gross floor area and date of completion are the estimated results of the feasibility study.

Management Discussion and Analysis | Business Review

Property Leasing | Commercial

Shanghai J-Life

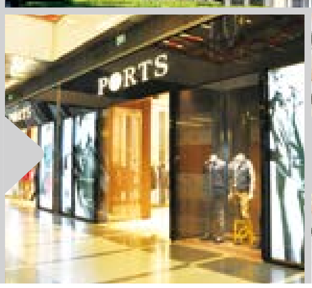
"J-Life", constructed on a gross floor area of approximately 22,986 square metres and located in the podium building of Jin Mao Tower, is anchored by many flagship stores of famous brands engaging in the provision of retailing services, private nursing services, personalised services and Chinese and western catering services, and has become one of the high-end lifestyle service centres in Pudong, Shanghai.

Sanya J-Life

Situated in The Ritz-Carlton, Sanya, Jin Mao's "J-Life" has a leaseable area of approximately 667 square metres, housing a number of flagship stores of renowned brands. It has become one of the high-end lifestyle hubs in Yalong Bay, Sanya, which greatly enhances the overall quality of The Ritz-Carlton, Sanya.

Nanjing International Shopping Mall

With a gross floor area of approximately 86,009 square metres, Nanjing International Shopping Mall is situated on 1-8 floors of the podium in Phase I of Naning International Center, offering a one-stop diversified experience comprising the world's famous luxury brands, international movie city, KTV, branded restaurants, children's theme park as well as branded stores of homestyle and living. It commenced operation in July 2011 and has become a new area for high-end style & living as well as entertainment & leisure in Nanjing.



Property Leasing | Commercial Properties under Construction

In addition to the above commercial properties, the Group also constructs high-end commercial properties in Shanghai, Nanjing, Qingdao and Changsha for long-term holding. Currently, the Group's commercial properties under construction are as follows:

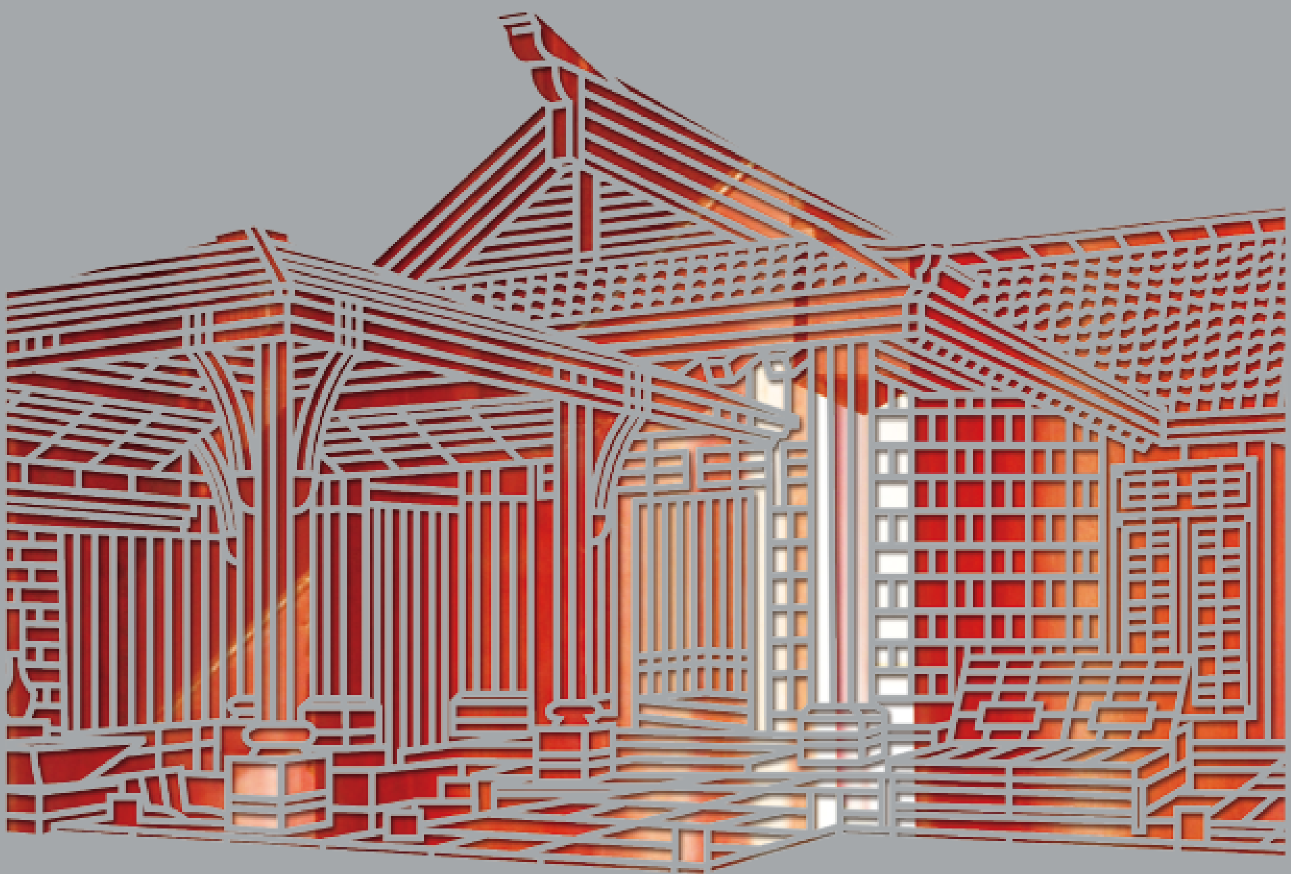
Name of project	Location	Estimated gross floor area (square metres)	Type of project	Equity attributable to the Group	Estimated date of completion
Lijiang J-Life	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, China	12,990	Commercial	100%	2014
Commercial portion of Qingdao Jin Mao Bay	West of Sichuan Road, Shinan District, Qingdao City, Shandong Province, China	97,268	Commercial	100%	2016
Commercial portion of Shanghai Haimen Road Project	Downtown of North Bund, Shanghai City, China	109,964	Commercial	50%	2016
International shopping mall of Nanjing International Center Phase II	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	48,500	Commercial	51%	2017
Commercial portion of Changsha Meixi Lake Jin Mao Plaza	Dahexi Pilot Zone, Changsha City, Hunan Province, China	99,000	Commercial	100%	2016
Commercial portion of Shanghai International Shipping Service Center	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai City, China	17,927	Commercial	50%	2016
		385,649			

* Gross floor area and date of completion are the estimated results of the feasibility study.

Begin the lead in Lofty Ambiance

Hotel Operations Segment

We believe in the power of persistence and adhere to people-oriented hospitality, long-term service commitments and ultimate hardware standards. Our unfailing persistence transforms customer's expectation and recognition into a power which drives us to constant advancement.



The Ritz-Carlton, Sanya

Hotel Operations Segment

As the leading luxury hotel investor nationwide, the Group steadily expands the size and capability of the hotel operations segment according to the market conditions and its own needs with a view to providing long-term stable revenue to the Group. Through development and successful operation of a series of high-end hotel projects, the Group has equipped itself with comprehensive and matured ability to design, develop and invest in high-end hotels, and has established sound working relationship with internationally renowned hotel conglomerates such as Marriott, Hyatt, Hilton and Starwood. Under the Group's principle of developing exquisite and high-end hotels, its hotels are identified with high-quality services and are popular among, and well recognised by, high-income consumers. In addition to generating profit, this enhances the Group's brand and overall reputation, and promotes the image and popularity of the other business segments of the Group, thereby generating higher profitability.

As at 31 December 2013, the Group owned seven hotels in China, which are located in Beijing, Shanghai, Sanya, Shenzhen and Nanjing respectively. With a total gross floor area of approximately 440,000 square metres, these hotels offer over 3,000 guest rooms. These hotels are all located at the prime locations in first-tier cities or 5A resort regions, manifesting the superior capabilities of the Group in hotel investment in China. In 2013, as a result of the effects of policies and market supply, the hotel market in China faced slowing demand as well as intensifying competition within the region. The Group's hotels, by proactively coping with the unfavourable market environment and taking flexible sales strategies, were able to maintain their leading position amongst its competitors in the region. During the year, in face of the drastic decrease in the demand for hotel in Hainan, Hilton Sanya Resort & Spa and The Ritz-Carlton, Sanya continued to maintain their leading position in Yalong Bay through actively adjusting the sales strategies and pricing strategies. Westin Beijing, Chaoyang actively coped with the adverse conditions and was able to maintain a top position amongst its competitors in the region. JW Marriott Shenzhen and Westin Nanjing's operating results showed steady growth as a result of the strategy of optimising customer structure. Jin Mao Beijing Wangfujing Renaissance Hotel was under revamp and the construction progressed well. It is expected that the hotel will re-open in the second half of 2014.

During the Year, the overall sales revenue from hotel operations segment amounted to HK$2,061.2 million. The revenue from hotel operations for the Year was mainly derived from Grand Hyatt Shanghai, The Ritz-Carlton, Sanya and Westin Beijing, Chaoyang.

Sales revenue from hotel operations segment for the past three years (HK$ million)

2011	2012	2013
2,133.8	2,010.2	**2,061.2**

Hotel Operations Segment

Percentage of sales revenue attributable to each hotel for 2013

Grand Hyatt Shanghai	Hilton Sanya Resort & Spa	The Ritz-Carlton, Sanya	Westin Beijing, Chaoyang	JW Marriott Shenzhen	Westin Nanjing
26%	15%	25%	18%	11%	5%

Average room rate, average occupancy rate and average revenue per available room (RMB) of each hotel for 2013

	Grand Hyatt Shanghai	Hilton Sanya Resort & Spa	The Ritz-Carlton, Sanya	Westin Beijing, Chaoyang	JW Marriott Shenzhen	Westin Nanjing
Average room rate	1,640	1,666	2,773	1,365	1,039	862
Average occupancy rate	58.6%	65.8%	69.1%	71.7%	75.0%	67.0%
Average revenue per available room	961	1,096	1,916	979	779	577

Average room rate, average occupancy rate and average revenue per available room (RMB) of each hotel for 2012

	Grand Hyatt Shanghai	Hilton Sanya Resort & Spa	The Ritz-Carlton, Sanya	Westin Beijing, Chaoyang	JW Marriott Shenzhen	Westin Nanjing
Average room rate	1,676	1,856	3,081	1,540	1,025	828
Average occupancy rate	60.0%	59.2%	62.1%	76.5%	71.5%	64.4%
Average revenue per available room	1,005	1,099	1,914	1,179	733	534

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Hotel Operations Segment | Shanghai

Grand Hyatt Shanghai

(100% owned by the Group)

Situated on 53rd to 87th floors of Jin Mao Tower, Grand Hyatt Shanghai is operated and managed by Global Hyatt Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Grand Hyatt Shanghai was opened in 1999 with a total gross floor area of 76,013 square metres. The 35-storey hotel has 555 luxury guest rooms, each decorated with panorama glass curtain walls, allowing guests to enjoy the breathtaking scenery of Shanghai city.

Since its inauguration, the hotel has been granted more than 100 hotel-related awards in China and abroad, and has successfully undertaken a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference, Forbes' Global CEO Conference and Shanghai Expo. During the Period under Review, in face of the impacts brought by the increasing supply of five-star hotels in Shanghai, Grand Hyatt Shanghai flexibly adjusted the pricing strategies and stepped up its marketing efforts, and maintained its leading position amongst its competitors by leveraging on its unique landmark advantages and high-quality standard of services. The hotel will endeavour to offer outstanding and refined quality services to the customers at home and abroad, upholding the title of Grand Hyatt Shanghai as the "First Luxury Hotel".

Grand Hyatt Shanghai	2013	2012
Average occupancy rate	58.6%	60.0%
Average room rate (RMB)	1,640	1,676
Average revenue per available room (RMB)	961	1,005

Hotel Operations Segment | Sanya

Hilton Sanya Resort & Spa

(100% owned by the Group)

Situated at the enchanting Yalong Bay, Hainan Province, Hilton Sanya Resort & Spa is operated and managed by Hilton International Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Hilton Sanya Resort & Spa was opened in 2006 with a total gross floor area of approximately 75,208 square metres, and has 501 guest rooms, suites and villas as well as 400 metres of powdery white beachfront. This hotel is designed and built with unique features and services to provide a "True Resort Experience", a basic concept embodying strong southern China's characteristics.

During the Period under Review, Hilton Sanya Resort & Spa proactively adjusted its sales strategies and pricing strategies to cope with the unfavourable effects of the drastic decrease in demand for hotel in Hainan. The occupancy rate increased substantially and the hotel continued to be in a leading position among its peers in the same region.

Hilton Sanya Resort & Spa	2013	2012
Average occupancy rate	65.8%	59.2%
Average room rate (RMB)	1,666	1,856
Average revenue per available room (RMB)	1,096	1,099

Hotel Operations Segment | Sanya

The Ritz-Carlton, Sanya

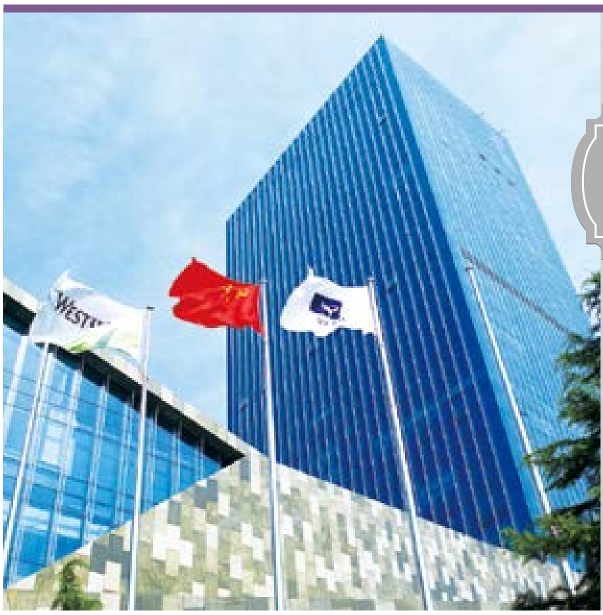
(100% owned by the Group)

Situated at the charming Yalong Bay, Hainan Province, The Ritz-Carlton, Sanya is operated and managed by the Ritz-Carlton Hotel Company (one of the world famous international hotel management companies) entrusted by the Group.

The Ritz-Carlton, Sanya was opened in April 2008. It has a total gross floor area of approximately 83,772 square metres and 450 luxury guest rooms. Each guest room has a floor area of more than 60 square metres. 21 of the guest rooms are luxury suites and 33 are villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay.

During the Period under Review, The Ritz-Carlton, Sanya, through adopting active and flexible marketing strategies, tailored its pricing mechanism to cope with the unfavourable effects of the drastic decrease in demand for hotel in Hainan. The average occupancy rate increased significantly and hotel continued to take the lead in the high-end hotel market in Yalong Bay where its operating results significantly outperformed its peers in the same region.

The Ritz-Carlton, Sanya	2013	2012
Average occupancy rate	69.1%	62.1%
Average room rate (RMB)	2,773	3,081
Average revenue per available room (RMB)	1,916	1,914



Westin Beijing, Chaoyang

(100% owned by the Group)

Situated at Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's embassy area, Westin Beijing, Chaoyang is only 25 minutes' ride from Beijing Capital International Airport. The hotel is operated and managed by Starwood Hotels & Resorts Worldwide (one of the world famous international hotel management companies) entrusted by the Group.

Westin Beijing, Chaoyang was opened in June 2008. The 34-storey hotel has a total gross floor area of approximately 77,945 square metres and 550 guest rooms, which, from luxury guest rooms of 40 square metres to presidential suites of 320 square metres, provide various comfortable and convenient facilities to cater to each guest's favourite way of recreation. Since its opening, the hotel served numerous foreign heads of state and business elites, thereby establishing a high-end brand image.

During the Period under Review, facing the unfavourable market environment, the hotel captured the market dynamics and actively adjusted the customer structure and pricing strategies, which further consolidated its market position. The hotel ranked first amongst its peers in terms of competitiveness.

Westin Beijing, Chaoyang	2013	2012
Average occupancy rate	71.7%	76.5%
Average room rate (RMB)	1,365	1,540
Average revenue per available room (RMB)	979	1,179

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Hotel Operations Segment | Beijing

Jin Mao Beijing Wangfujing Renaissance Hotel

(formerly known as Wangfujing Grand Hotel, 100% owned by the Group)

Situated on the northern section of Wangfujing Avenue in Beijing's major business and shopping district, Jin Mao Beijing Wangfujing Renaissance Hotel is enjoying an unparalleled location, which allows for walks to a cluster of cultural and historical sites and facilities. It is within a short distance to The Forbidden City, Tian'anmen Square and Beihai Park, and offers a bird's-eye view of The Forbidden City.

Jin Mao Beijing Wangfujing Renaissance Hotel has a total gross floor area of approximately 44,435 square metres. This 14-storey building has 329 guest rooms as well as a number of conference rooms, catering and other facilities.

Over the years, the hotel has attracted a large number of tourists due to its favourable location and is highly acclaimed in the industry. In order to provide a superior quality living environment and service experience to the customers at home and abroad, the Group began a full-scale revamp of the hotel. The revamped hotel will also focus on high-end hotel operations with a view to generating stable long-term revenue and increasing brand value. During the Period under Review, the revamp of Jin Mao Beijing Wangfujing Renaissance Hotel progressed well.

Hotel Operations Segment | Shenzhen

JW Marriott Shenzhen

(100% owned by the Group)

JW Marriott Shenzhen is located in Futian District, Shenzhen, in close proximity to the Shenzhen Golf Club. The hotel is operated and managed by Marriott Hotel International (one of the world famous international hotel management companies) entrusted by the Group.

JW Marriott Shenzhen was officially opened in March 2009, occupying a total gross floor area of approximately 51,730 square metres. It has 411 guest rooms, a banquet hall that can accommodate 400 people, as well as 5 conference rooms equipped with the most advanced audio-visual technology. Its modern tropical design concept blends into the architectural style of the hotel and the seasonal characteristics of the South China city, making the hotel one of Shenzhen's top-grade superior deluxe five-star rating business hotels.

During the Period under Review, JW Marriott Shenzhen followed the market closely and continued to optimise the customer structure whilst actively expanding the niche markets such as business customers and wedding feasts. The occupancy rate and room rate increased significantly, thereby achieving good performance. Its operating results increased substantially over that of 2012.

JW Marriott Shenzhen	2013	2012
Average occupancy rate	75.0%	71.5%
Average room rate (RMB)	1,039	1,025
Average revenue per available room (RMB)	779	733

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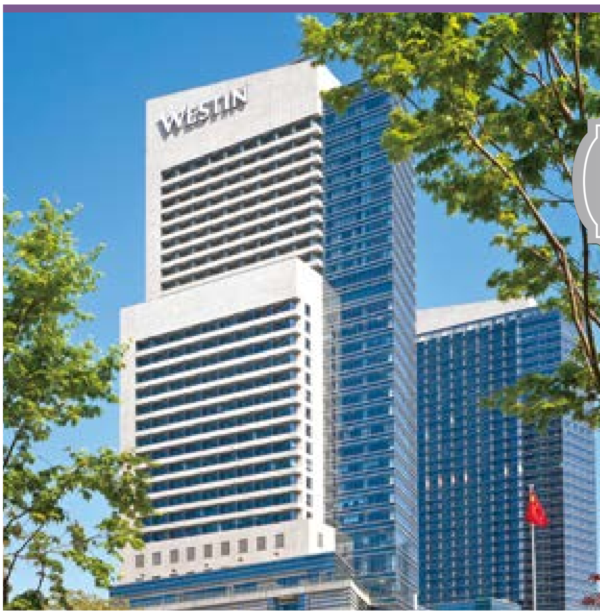
Hotel Operations Segment | Nanjing



Westin Nanjing

(51% owned by the Group)

Westin Nanjing is located on 23rd to 35th floors of the South Tower in Nanjing International Center. The hotel is operated and managed by Starwood Hotels & Resorts Worldwide (one of the world famous international hotel management companies) entrusted by the Group.

In February 2013, the Group successfully acquired Nanjing International Center Project, adding the seventh hotel – Westin Nanjing to its portfolio. Westin Nanjing commenced operations in 2011. With a total gross floor area of approximately 32,514 square metres, the hotel occupies a total of 13 floors with 234 guest rooms each overlooking a panoramic view of Xuanwu Lake and Purple Mountain.

Westin Nanjing strives to offer a brand new hotel experience to its customers through introducing a series of innovative packages and tailored facilities including Westin gym, heavenly bed and delicious healthy dining menu to provide customers with distinctive quality services and a wholesome and rejuvenating environment. During the Period under Review, the occupancy rate and average room rate of Westin Nanjing increased contrary to market trends and performed remarkably.

Westin Nanjing	2013	2012
Average occupancy rate	**67.0%**	64.4%
Average room rate (RMB)	**862**	828
Average revenue per available room (RMB)	**577**	534

Hotel Operations Segment | Hotels Under Construction

In addition to the above seven hotels that are in operation or under revamp, the Group also invests in luxury hotels which are under construction at the prime locations in the first-tier cities or 5A resort regions in China to expand the size and strength of the hotel operations segment with a view to generating long-term and stable revenue to the Group.

Currently, the Group's hotels under construction are as follows:

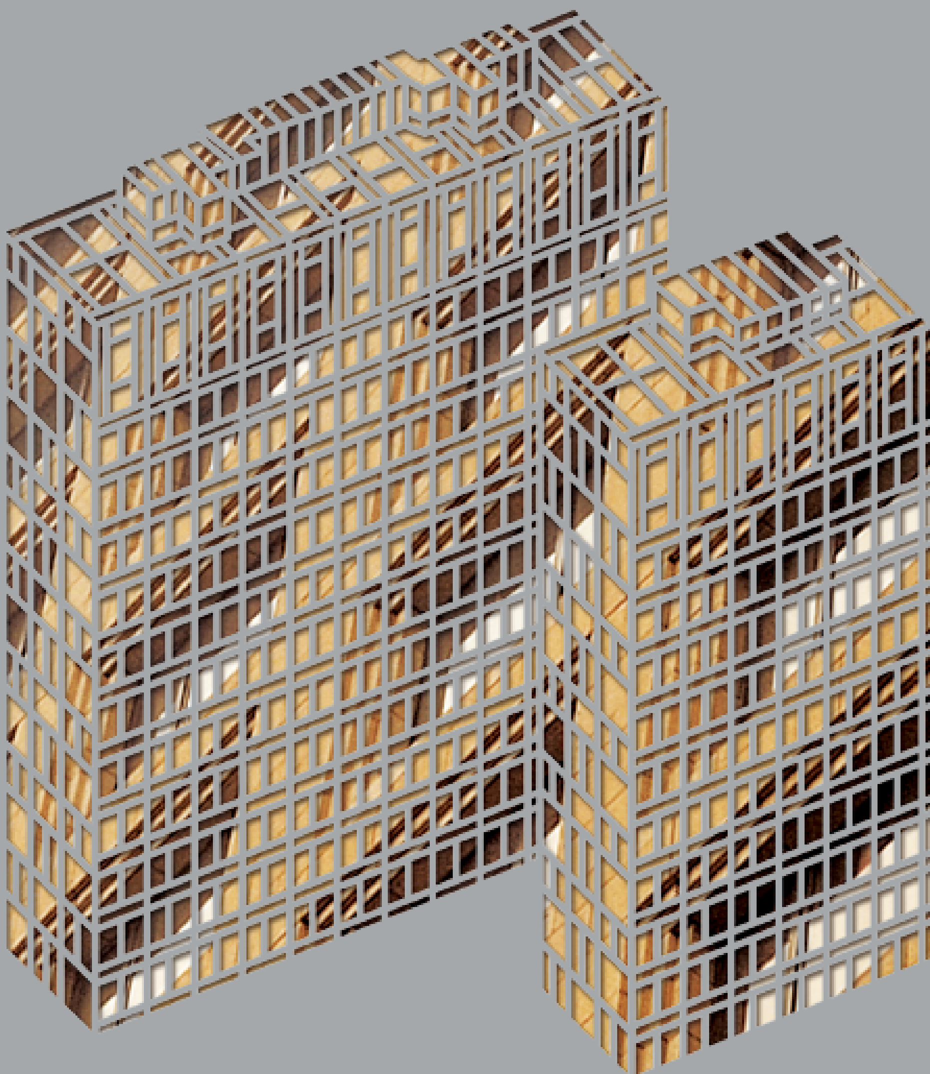
Name of project	Location	Estimated gross floor area (square metres)	Type of project	Equity attributable to the Group	Estimated date of completion	Estimated number of guest rooms
Lijiang Grand Hyatt Hotel	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, China	82,063	Hotel	100%	2014	400
Chongming Hyatt Hotel	Riverside Leisure, Sport and Residential Community, Chenjia Town, Chongming Island, Shanghai City, China	48,992	Hotel	100%	2014	235
Nanjing International Center Phase II Hotel	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	23,500	Hotel	51%	2017	200
Changsha Meixi Lake Jin Mao Plaza Hotel	Dahexi Pilot Zone, Changsha City, Hunan Province, China	39,000	Hotel	100%	2016	350
		193,555				1,185

* Gross floor area, date of completion and number of guest rooms are the estimated results of the feasibility study.

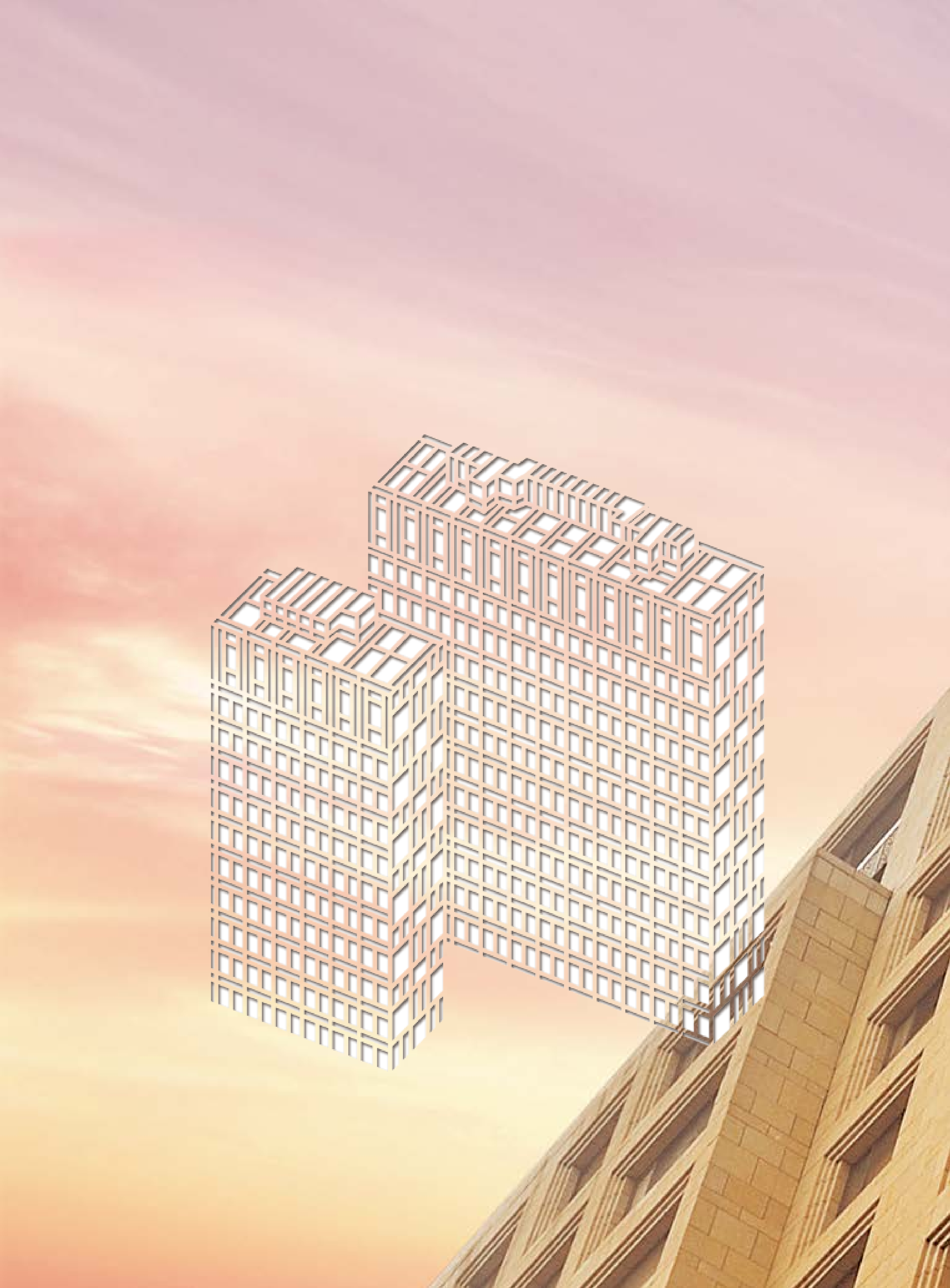
Build for solid future Development

Property Development Segment

In our relentless pursuit of a habitat for arts and life philosophy, we focus on the future organic and endless growth of Chinese cities and high quality buildings, continuously reflect upon the relationship between the beauty of the present moment and the unlimited future, and through project development, business life, regional vitality and city prosperity put them into practice comprehensively.



Beijing Guangqu Jin Mao Palace Project



Property Development Segment

Franshion Properties specialises in developing urban landmarks featuring a high-class artistic mood with the mission of unleashing future vitality of the city, pursuing harmonious development between man, architecture and nature. Taking a forward-looking vision and thought, innovative planning and design, as well as an honest attitude and quality product, we drive the progress of quality urbanisation. Our architecture signifies the urban dimension of modern metropolitan civilisation and a comprehensive enhancement of regional functions and urban vitality, thus fulfilling the dream of future habitual residence and the city as well as unleashing the vitality for sustainable development.

Since the completion of construction of Jin Mao Tower in 1998, we have been committed to developing architectural classics on the most precious lands in China in the past 15 years. Our representative projects include Shanghai Fortune Plaza, Beijing Chemsunny World Trade Centre and Shanghai Port International Cruise Terminal Project. Projects under development currently, including Shanghai International Shipping Service Center Project, Suzhou Gusu Jin Mao Palace Project, Beijing Yizhuang Jin Mao Yue Project, Shanghai Dongtan Jin Mao Noble Manor Project, Lijiang Jin Mao Snow Mountain Whisper Project, Jin Mao Meixi Lake Project and Qingdao Jin Mao Bay Project, form our quality residential product series featuring "Jin Mao Palace, Jin Mao Yue, Jin Mao Villa, Jin Mao Mountain, Jin Mao Lake and Jin Mao Bay" and our high-end public property product series featuring "Jin Mao Plaza", creating an outstanding landscape and a brand new classical image for future city development.

After years of project development, the Group has formed an experienced development team and established sound cooperation relationships with local governments, enabling us to obtain quality land resources more easily. We have also developed a unique management model covering the selection, operation and management of property development projects and promoting the synergistic development with other economic entities of the same region.

As at 31 December 2013, the Group had property development projects in China in different development stages located in Beijing, Shanghai, Changsha, Qingdao, Lijiang, Chongqing and Suzhou. In 2013, the Group accelerated the development of high-end quality property projects and commenced sales for a number of high-end residential projects.

During the Year, the property development segment recognised aggregate sales revenue of HK$16,867.7 million, representing an increase of 25% over that of last year. As at 31 January 2014, the accumulated property contracted sales of the Group (not including sales amount for primary land development) yet to be delivered and settled was approximately HK$20.7 billion in aggregate.

SALES REVENUE FROM PROPERTY DEVELOPMENT SEGMENT FOR THE PAST THREE YEARS (HK$ MILLION)

2011	2012	2013
2,995.5	13,445.4	**16,867.7**

PROPERTY CONTRACTED SALES AND SALES AMOUNT FOR PRIMARY LAND DEVELOPMENT FOR 2013

	Amount (RMB million)	Area (square metres)
Property contracted sales	14,590.5	572,949
Sales amount for primary land development	6,403.5	2,125,741
Total	20,994.0	N/A

PROPERTY CONTRACTED SALES AND SALES AMOUNT FOR PRIMARY LAND DEVELOPMENT FOR 2012

	Amount (RMB million)	Area (square metres)
Property contracted sales	10,706.9	342,009
Sales amount for primary land development	5,086.0	2,303,949
Total	15,792.9	N/A

Property Development Segment | Quality Residence

JIN MAO PALACE SERIES

Suzhou Gusu Jin Mao Palace Project

(80% owned by the Group)

Located at the heart of the ancient town of Suzhou, Suzhou Gusu Jin Mao Palace Project is on a land parcel across Tongjing Road and Jinmen Road, only a road's distance to the Suzhou Municipal Government and adjacent to famous scenic spots such as Liu Yuan, Xi Yuan and Hanshan Monastery. The project is conveniently located near the city's main routes and Metro Lines No.1 and 2, surrounded by commercial centres namely Shi Road, Guanqian Street and Shishan Road CBD.

The project has a site area of approximately 86,018 sq. m. and an estimated gross floor area of approximately 342,422 sq. m. Positioned as the most high-end residential product in the "Palace" series, the project consists of a variety of segments including 100-m high residential buildings, a five-star clubhouse and retail shops. Adopting a German-based fine craftsmanship and luxurious design, Suzhou Gusu Jin Mao Palace project is equipped with 12 major European standard technology systems and carries a French-style axial landscape garden occupying an area of 68,800 sq. m., Jin Mao Ambassador Mansion, convenient transportation, high-end commercial ancillary properties and quality education resources, thus increasing the liveable value of the ancient town of Suzhou.

During the Period under Review, Phase I of Suzhou Gusu Jin Mao Palace Project had launched a grand sales. Total sales of the units within two hours upon initial launch exceeded RMB800 million, creating a miracle in the sales history of luxury residence in Suzhou and continuing the legend of Jin Mao brand. Currently, construction of the project progresses well and all construction works are conducted on schedule. The entire project is expected to be completed in 2016.

Other Jin Mao Palace Series Projects

Beijing Guangqu Jin Mao Palace Project

Northwest of Dajiaoting Bridge, Chaoyang District, Beijing City

368,342
Gross floor area (sq. m.)

Beijing Wangjing Jin Mao Palace Project

Laiguangying Village, Chaoyang District, Beijing City

162,742
Gross floor area (sq.m.)

Management Discussion and Analysis | Business Review

Property Development Segment | Quality Residence

JIN MAO YUE SERIES

Beijing Yizhuang Jin Mao Yue Project

(51% owned by the Group)

Beijing Yizhuang·Jin Mao Yue Project is at the heart of the international liveable area where the international metropolitan resources meet the nature tranquillity – Yizhuang Central Residential Area, which is 20 minutes' distance to the central business district and has a three-dimensional transportation network of three horizontal and five vertical railways and three metro lines, connecting seamlessly with the city's vibe. It is surrounded by seven major ecological gardens including Nanhaizi Park and Boda Park occupying a green area of 15 million square metres in the city.

The project has a site area of 134,858 sq. m. and an estimated gross floor area of approximately 414,782 sq. m. The project is equipped with seven major healthcare and technology systems applying the concepts of high comfort, low energy consumption, greening and health throughout the architectural system, providing the residents with the purest sunshine, air and water. While developing Jin Mao brand, it has formulated 12 feature highlights targeting at the needs of high-end families in leading the trend of living of the era. The Group endeavours to develop the project into a brand new international liveable landmark in Yizhuang in shaping the happiness ("Yue") era of holistic and healthy family in Beijing.

During the Period under Review, Phase I of Beijing Yizhuang Jin Mao Yue Project had launched a grand sales with an absorption rate of 95%. Currently, construction of the project progresses well and all construction works are conducted on schedule. The entire project is expected to be completed in 2016.

Property Development Segment | Quality Residence

Other Jin Mao Yue Series projects

Beijing Asian Olympics Jin Mao Yue Project

Laiguangying Village, Chaoyang District, Beijing City

233,089
Gross floor area (sq.m.)

Changsha Meixi Lake Jin Mao Yue Project

Dahexi Pilot Zone, Changsha City, China

485,577
Gross floor area (sq.m.)

Chongqing Jin Mao Long Yue Project

West of Pedestrian Street, Yangjiaping, Jiulongpo District, Chongqing City

500,644
Gross floor area (sq.m.)

Management Discussion and Analysis | Business Review

Property Development Segment | Quality Residence

JIN MAO NOBLE MANOR SERIES

Shanghai Dongtan Jin Mao Noble Manor Project

(100% owned by the Group)

The investment value of Shanghai Chongming Island has been increasingly highlighted with its excellent ecological environment and unique geographical location. With the opening of Yangtze River Tunnel Bridge, the steady development of "International Eco-Island" plan, and the gradually improved infrastructure, Shanghai Chongming Island is being embraced with new opportunities for development.

Shanghai Dongtan Jin Mao Noble Manor Project is located in a riverside leisure sport and residential community in Chenjia Town, Chong Ming Island, Shanghai. In November 2008, the Group acquired the land use rights of Site No. 4 located in the community. The land has an area of approximately 220,000 square metres. At the same time, the Group has entered into a lease agreement with Shanghai Chenjia Town Asset Management Company to lease a site adjacent to Site No. 4 for an area of approximately 955,478 square metres.

The Group plans to develop the leased site into a sports park and construct the granted land into a quality riverfront integrated recreation, sports and holiday resort, comprising a clubhouse, low-density residential properties, hotels and property right hotels. In particular, the world's renowned hotel management brand "Hyatt" will be engaged to manage and operate the hotel in this project. The project widely utilised low carbon technology and was granted several state's awards and government's special subsidies.

During the Period under Review, the project completed delivery of some of the villa products and apartment products. Sales performance of the villas and apartments ranked first in the region. Construction of the hotel progressed well. It is expected to be completed and commence operation in 2014.

Other Jin Mao Noble Manor Series projects:

Lijiang Snow Mountain Jin Mao Noble Manor Project

Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province

49,485

Gross floor area (sq.m.)

Lijiang Jin Mao Snow Mountain Whisper Project

(100% owned by the Group)

The project is located at the foot of Yulong Snow Mountain where the high-end resort hotels and recreational properties are gathered. Adjacent to tens of internationally renowned hotels including Banyan Tree, Pullman and St. Regis, it is the closest to the only snow mountain golf course in the northern hemisphere offering a comprehensive range of amenities including tourism, sightseeing, high-end consumption, entertainment and leisure.

JIN MAO MOUNTAIN SERIES

The project has a site area of approximately 470,000 sq. m. and jointly develops a variety of segments including Jin Mao Snow Mountain Whisper – Wutong Micro Hotel, Grant Hyatt Lijiang, boutique property vacation hotels and J-Life, offering over a hundred resort and living ancillary experiences. The project aims to combine the Naxi culture with international design concepts, and strives to develop it into a landmark high-end tourism and resort complex in the southwestern region or even in China.

During the Period under Review, Lijiang Jin Mao Snow Mountain Whisper Project had its initial sales launch and all units were sold out within half an hour and set new records in the tourism and resort market in China in terms of the number of units sold and sales amount. Currently, construction of the project progresses well and all construction works are conducted on schedule. The entire project is expected to be completed in 2016.

Property Development Segment | Quality Residence

JIN MAO LAKE SERIES

Jin Mao Meixi Lake Project

(100% owned by the Group)

Jin Mao Meixi Lake Project is located in the core region of Dahexi Pilot Zone, Changsha City, Hunan Province, China and forms part of Changsha Meixi Lake, facing a stunning super large lake view, with Festival Island to its north and Taohua Ridge to its south. The project is conveniently located, close to major transportation routes in Changsha such as West Second Ring Road and Jinxing Road and in the proximity of Metro Line No.2.

In October 2011, the Group acquired the land use rights of the project with a land area of 156,767 square metres and an estimated total gross floor area of 525,940 square metres. The project is positioned as an international lakefront model region in Changsha, covering a number of residential buildings such as small high-rise buildings, big flat-floor buildings and townhouses. Through blending the residential landscape with the distinctive lakefront and mountain views, the project maximises its resource advantages by offering an unparalleled view. Leveraging on its excellent natural resources, well-developed transportation network, high-end commercial facilities and quality education resources, Franshion Properties carefully crafted Jin Mao Meixi Lake Project in a way that perfectly enhances the value of Changsha as a liveable city.

During the Period under Review, the project launched sales twice and drew overwhelming sales during the market downturn where the subscription price far exceeded that of other residential projects within the region, which again consolidated Jin Mao Meixi Lake's position as a quality liveable landmark in Hunan Province. At the end of November 2013, Phase I of Jin Mao Meixi Lake was completed and delivered to the owners. The warm and comfy community environment and the superior quality were well received by the owners and the value of Meixi Lake International New City was highly recognised by the public. The "green gold quality" of Franshion Properties blended perfectly with the lake. Currently, construction of the project progresses well and all construction works are conducted on schedule. The entire project is expected to be completed in 2015.

Qingdao Jin Mao Bay Project

(100% of the 200-mu Southern Site of the project owned by the Group)

Qingdao Jin Mao Bay Project is located at the mouth of Jiaozhou Bay opposite to Qianwan Port in Huangdao. It is an important part of Qingdao city's strategy of "Environmental Protection and Development around the Bay". The entire project occupies a land area of approximately 23 hectares and a gross floor area of approximately 800,000 square metres. In particular, the 200-mu Southern Site of the project is independently developed by the Group.

JIN MAO BAY SERIES

The Group and Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") entered into a partnership to jointly develop Lanhai Xingang City Project in Qingdao. The project is located in the land blocks in Zhongdao, west coast of the town area, Qingdao, west of Sichuan Road and is in the vicinity of Qingdao Railway Station, Zhongshan Road CBD and Xiaogang Region. With the Old City at its back and Jiaozhou Bay at its front, the project faces Huangdao across the sea. Having a favourable geographical location, the project is well-equipped with tourism resources and cultural innovations and is highly accessible with comprehensive facilities. Pursuant to the relevant agreement, parties to the agreement agree to divide the 340-mu land parcel into two parts for separate development. The Group enjoys exclusive development rights to the 200-mu Southern region ("Qingdao Jin Mao Bay Project").

The Southern Site, with a land area of 131,202 sq. m. and a gross floor area of 513,189 sq. m., is independently developed by the Group. Qingdao Jin Mao Bay Project is developed in accordance with the international green building standards featuring the concepts of "health, energy-saving and low-carbon". As to architectural design, it stresses the layer minimalism with smart and dynamic changes. As to landscape gardening, an EDSA landscape gardening architect was invited to design a variety of landscape systems. Qingdao Jin Mao Bay Project, as a high-end bayfront masterpiece shaped by Franshion Properties, actively strives to build the western part of Shinan District, Qingdao City and roll it out as the new cover of Qingdao City as an equal to the Olympics sailing base.

During the Period under Review, through introducing the Jiangsu Road Primary School, the quality of the project was further enhanced, thus consolidating the position of Qingdao Jin Mao Bay Project as a quality landmark in the old town of western Qingdao. During the Period under Review, the project had two sales launches and drew overwhelming response from the market with an absorption rate of more than 95%. Currently, construction of the project progresses well and all construction works are conducted on schedule. The entire project is expected to be completed in 2016.

Management Discussion and Analysis | Business Review

Property Development Segment | City Complex

Shanghai North Bund Project

(Site B of Shanghai Port International Cruise Terminal Project, Shanghai International Shipping Service Center Project and Shanghai Haimen Road Project)
(50% owned by the Group)

Shanghai North Bund Project includes Shanghai Port International Cruise Terminal Project, Shanghai International Shipping Service Center Project and Shanghai Haimen Road Project, which is situated at the riverfront downtown of North Bund in Hongkou, where the headquarters of many of the world's renowned enterprises gather and where the new CBD of the city lies. Enjoying a favourable geographical location, it is a south facing and sun facing riverfront project which has Waibaidu Bridge located to its west that connects to the Old Bund. It is located directly across the river from the trade area of Lujiazui. It enjoys a magnificent view of a mixture of undulating ancient architecture and skyscrapers across the bank and forms a "golden delta" in Shanghai together with the Bund and Lujiazui. The convenient public transportation as a transportation hub with metro lines and key bus interchanges, and the spacious and comfy shopping space along with the shopping gallery provide convenient and attentive commercial ancillary services to the office buildings and the residents in the neighbourhood. Shanghai Port International Cruise Terminal Project, Shanghai International Shipping Service Center Project and Haimen Road Project will jointly shape a new core region in the city and be a new driver for development of Shanghai.

Shanghai Port International Cruise Terminal Project is jointly developed by the Group and Shanghai International Port (Group) Co., Ltd. ("SIPG"). The parcel of land is split into two parts for two different projects, one on Site A, and the other on Site B, connecting to each other closely and together making up the whole of Shanghai Port International Cruise Terminal. Site A is intended for the International Passenger Transport Terminal and the Port Administration Building, while Site B is reserved for office buildings, commercial centres and related structure groups. The Group holds a 50% economic interest in the Site B development. Site B of Shanghai Port International Cruise Terminal Project occupies a total area of approximately 85,089 sq. m. and a total gross floor area of approximately 302,080 sq. m. Construction works were completed in 2011. In 2012, delivery of all eleven office buildings of the project was completed.

Shanghai International Shipping Service Center Project is also jointly developed by the Group and SIPG and comprises offices, commercial properties and apartment offices, and other facilities including a yacht harbour. The entire project comprises the Eastern Site, the Western Site, and the Central Site. The Group and SIPG acquired the land use rights of the Eastern Site of the project in 2007, with an area of approximately 35,210 sq. m. In March 2008, the Group and SIPG acquired the land use rights of the Central Site of the project, with an area of approximately 19,039 sq. m. In August 2010, the Group completed

the acquisition of 50% equity interests in Shanghai Yin Hui. Through the acquisition, the Group has obtained the land use rights of the Western Site of the project with an area of approximately 41,345 sq. m. held by Shanghai Yin Hui, and therefore holds 50% economic interest in the Eastern Site, Central Site and Western Site of the project. The Group intends to consolidate the development of the Eastern Site, Western Site, and Central Site. Upon completion, the project will comprise a total gross floor area of approximately 530,933 sq. m. The project is listed as one of the key projects in Shanghai city and has become a key integral part of the urban growth strategies in Shanghai.

Shanghai Haimen Road Project was jointly secured by the Group and SIPG at the end of 2012. The project stretches to Haimen Road to its east, Dongdaming Road to its south, Gongping Road to its west and Dongchangzhi Road to its north. With a site area of approximately 40,577 sq. m., an estimated gross floor area above ground of approximately 243,400 sq. m. and an estimated total gross floor area of 426,060 sq. m., the Group will create an urban complex comprising Grade A office buildings and integrated commercial and apartment offices with direct metro accessibility and riverfront landscapes.

Shanghai North Bund Project aims to develop itself into the green landmark in China. It is the first project to apply for three internationally acclaimed green certifications at the same time and the largest-scale green office and commercial building cluster in Asia. It has been honoured the title of "National Green Building Model Site" (國家綠色建築示範推廣基地) and obtained the three-star green building design label certificate (三星級綠色建築設計標識證書) by the Ministry of Housing and Urban-Rural Development of

China, the LEED-CS gold certification by USGBC and BREEAM outstanding category certification by BRE.

During the Period under Review, three office buildings Nos.13A, 13B and 15A in the Western Site of Shanghai International Shipping Service Center Project were delivered successfully, and the construction of other land parcels of the project progressed well. The entire project is expected to complete construction by 2016. Shanghai Haimen Road Project commenced the preliminary design works and such works progressed well. The entire project is expected to be completed in 2016.

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Property Development Segment | City Complex

Nanjing International Center Project

(51% owned by the Group)

Situated at the heart of Zhongyang Road, Gulou District, Nanjing City, Nanjing International Center faces Xuanwu Lake, enjoying a unique natural landscape and abundant commercial and cultural resources. Occupying a site area of 37,920 square metres and an estimated total gross floor area of approximately 453,146 square metres, it represents a perfect blend of the essence of Nanjing City with an international horizon, and one of the Top Ten New Landmark Complexes in China (中國十大新地標城市綜合體).

The Group successfully acquired Nanjing International Center Project in February 2013. Nanjing International Center Project comprises one super high-rise Main Tower, North Tower and South Tower as well as an 8-storey podium. It has a total site area of 37,920 sq. m. and an estimated total gross floor area of approximately 453,146 sq. m. The project is developed in two phases. Construction of Phase I, occupying a site area of approximately 19,852 sq. m. and a gross floor area of approximately 225,846 sq. m., was completed and operation commenced in March 2011. It comprises five segments including a super five-star hotel, Grade A offices, international shopping malls, view apartments and top luxury residence. Scenic apartments and royal scenic luxury residence on the 11th to 38th floors of the North Tower and some office units in the South Tower sold externally are under the property development segment with a gross floor area of approximately 53,525 sq. m.

Nanjing International Center Project Phase II has an estimated total gross floor area of approximately 227,300 sq. m. It is a 285-metre high multi-functional commercial complex comprising a 70-storey main tower and an 8-storey podium. The gross floor area above ground is 197,300 sq. m. The podium is designed to contain a shopping mall and hotel conference rooms, whereas the main tower is designed to contain international Grade A offices, hotel service apartments and a super five-star hotel. The podium is connected to Phase I, which effectively enhances the interaction between Phase I and Phase II. Upon completion, Nanjing International Center will be a new landmark project in Nanjing.

During the Period under Review, sales of Nanjing International Center Project Phase I were satisfactory, whereas the preliminary construction work of the Phase II project such as project establishment, planning and design was completed and progressed well as a whole. The project is expected to be completed in 2017.

Changsha Meixi Lake Jin Mao Plaza Project

(formerly known as Meixi Lake International Plaza Project, 100% owned by the Group)

Changsha Meixi Lake Jin Mao Plaza Project is located in Dahexi Pilot Zone, Changsha City, Hunan Province, China and within Changsha Meixi Lake Region. Situated at the core region of the north bank of Meixi Lake International New City, which faces Meixi Lake and Festival Island to its south, Metro Line No.2 (under construction) to its north and an international cultural and art centre to its east, the project enjoys a favourable geographical location.

Changsha Meixi Lake Jin Mao Plaza Project has a site area of approximately 152,995 square metres and a total gross floor area of approximately 954,770 square metres. The project will be developed into a high-end large-scale urban complex consisting of five-star hotels, shopping malls, office buildings and residence and become an architectural landmark in Dahexi Pilot Zone, Changsha. The urban complex will carry the mission of leading the high-end property market in Dahexi Zone in Changsha and will further consolidate Meixi Lake's position as the future urban centre riding on its cultural background, scenic landscape and cutting edge trend.

During the Period under Review, Changsha Meixi Lake Jin Mao Plaza Project completed the project positioning and design and commenced construction work. Currently, the project is in the process of sales preparation. Selected luxurious hotels under Starwood brand have entered into the letter of intent in respect of this project; whereas many large-scale enterprises have also shown strong interest to lease the offices of the project. Certain enterprises have entered into the letter of intent regarding the purchase of offices of the project. Currently, construction of the project progresses well and all construction works are conducted on schedule. The entire project is expected to be completed in 2016.

Property Development Segment | Primary Land Development

Changsha Meixi Lake Project

(Changsha Meixi Lake Primary Land Development Project Phase I, Changsha Meixi Lake Primary Land Development Project Phase II and Changsha Meixi Lake Land Block A Primary Development Project)

Changsha Meixi Lake Project, with an aggregate area of approximately 28,411.9-mu, is located in the core region of Dahexi Pilot Zone, Changsha City, Hunan Province, China, which is 6 kilometres from the city centre. Backed by Taohua Ridge, Yuelu Mountain Range, it is surrounded by the 3,000-mu Meixi Lake with a long island inside and a water city nearby. The project, featuring the elements of mountains, lake, islets and city, will be developed into a green and ecological region suitable for residence, business and leisure. According to the plan of Hunan Provincial Committee, Meixi Lake will be developed into a model, benchmark and world-class development zone in Changsha City and Changsha-Zhuzhou-Xiangtan Comprehensive Experimental Community. Under the "Changsha City Twelfth Five-Year Plan" of the Municipal Committee and the Municipal Government of Changsha, it is proposed that the Meixi Lake district will be developed into a model ecological and liveable city and a new city centre of Hexi, Changsha. Changsha Meixi Lake Project will be developed in two phases.

On 26 January 2011, the Group entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and other relevant parties, confirming that the Group has become the investor in the project for developing Meixi Lake International Service and Technology Innovation City Phase I (hereinafter referred to as "Changsha Meixi Lake Primary Land Development Project Phase I"), by which the Group would be in charge of land requisition, compensation and resettlement, all preliminary municipal infrastructure and urban public facilities, and other related subsequent developments within the area. Changsha Meixi Lake Primary Land Development Project Phase I has a total site area of 11,452-mu and a total gross floor area of 9.40 million sq. m., comprising a variety of premium segments including high-end residence, a super five-star hotel, Grade 5A office buildings, serviced apartments, a cultural and arts centre and a technology and innovation centre. According to the bidding notice, the filing procedure for the completion of Phase I of the project is expected to be fully completed in June 2016, whilst the procedures for the grant of land where the project is located will be completed in June 2017. Through reasonable optimisation of planning, Changsha Meixi Lake Primary Land Development Project Phase I restructured the functional system in the area, diversified the urban land planning and rationalised the use of the land, thereby increasing the land value in the area as a whole. In an attempt to actively introduce quality education resources, the Group arranged a number of secondary and primary schools in the province to station there, which further enhanced the ancillary resources. In implementing the green strategy, the Group also completed the planning of the green ecological city project with advanced design indicators

in line with international levels, and became one of the first batch of the state-level "green and ecological model cities" (綠色生態示範城區) and "smart cities" (智慧城). The Group implemented the arrangements of primary and secondary development and applied the concepts of digital technology, ecological civilisation, resource conservation and sustainable development in the course of the entire development. To cater for the development needs in the northwestern area of Changsha Meixi Lake Primary Land Development Project Phase I, on 30 October 2012, the Group entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and Changsha Meixi Lake Industrial Co., Ltd., pursuant to which the Group has become a party responsible for the primary land development of land block A in the Meixi Lake area and will cooperate in the land requisition and reserve, development as well as business recruitment of the target land parcel. The land area for development of high-end commercial and residential properties in the northwestern area will be increased by 414.9-mu, translating into quality land resources with a total gross floor area of approximately 829,000 sq. m. The development model adopted by the Group for Meixi Lake Project is known as the "Meixi Lake Model" in the industry. The Group owns 80% equity interest of both Changsha Meixi Lake Primary Land Development Project Phase I and Changsha Meixi Lake Land Block A Primary Development Project.

On 14 October 2013, the Company received an official letter from the Management Committee of Dahexi Pilot Zone in Changsha, confirming that the Company was selected as the second investor of Changsha Meixi Lake Primary Land Development Project Phase II, by which the Group would be in charge of part of the land requisition, compensation and resettlement, preliminary infrastructure construction, and part of other related developments within the area. Located at the west of Changsha Meixi Lake Primary Land Development Project Phase I, has a total site area of 16,545-mu and a total gross floor area of approximately 12.68 million sq. m., with Third Ring Road to its east, Yuelu Mountain Xiangbiwo Forest Park and Taohua Ridge Forest Park to its south, Tianlei Road to its north and Yuanjiachong Road North and Yuanjiachong Road South to its west. It has a convenient transportation network including Metro Lines No.2 and No. 6 (extension line) and Changsha-Changde City Light Rail that run through Phase II of the project. Phase II of the project will solve the problem of insufficiency of land for CBD development in Meixi Lake Primary Land Development Project Phase I and the lack of some urban ancillary facilities, as well as expand the transportation network of the new city centre. According to the agreement for developing Phase II of the project, all the supply of land for business use under Phase II shall be released no later than 31 December 2020.

During the Period under Review, all development plans of Changsha Meixi Lake Project progressed well. Adhering to the Group's "high-end with quality" and "two-wheel driven" strategic thinking, the Group fully utilised its resources and endeavoured to develop Changsha Meixi Lake International New City into a "city guesthouse" representative of the new city image of Changsha and a new model city that is most internationalised in Central China and encompasses the concept of "two-type (environmentally friendly and resources saving) community" model district.

Management Discussion and Analysis | Business Review

Property Development Segment | Primary Land Development

The project is located at the heart of new city of western Sanya within a 40-minute ride to Sanya Phoenix International Airport and the downtown area of Sanya, enjoying a favourable geographical location and rich ecological resources. With the prime seafront and bay resources, the project is generally positioned as the "national cultural seafront" core region and will be developed into a pioneer project introducing new lifestyles and new way of travel to Sanya City.

Sanya Yacheng Town Primary Land Development Project

(51% owned by the Group)

In 2012, the Group and Hainan LongHigh Industrial Group Company Limited jointly acquired the primary development right to the 1,500-mu land parcel in Yazhou Bay, Sanya City. The project enjoys a favourable geographical location and rich ecological resources. It is the last remaining prime seafront quality land parcel in Sanya City. The project is generally positioned as the "national cultural seafront" core region and will be developed into a pioneer project introducing new lifestyles and new way of travel to Sanya City. At the same time, the long-term cooperation with LongHigh Group and Sanya Municipal Government is conducive for the Company to further expand its foothold in Sanya and allows the Group to have the opportunity to participate in the secondary development of the land parcel and other projects in Sanya. Currently, construction of the project progresses well and all construction works are conducted on schedule. The entire project is expected to be completed in 2018.

Ningbo Nantang Jin Mao Palace Project

(51% owned by the Group)

Situated at the downtown area of the ancient town of Ningbo City – Haishu District, the project is located in the traditional administrative functions, economic hub and cultural centre of Ningbo and is within the CBD area in the city. Close to Yinfeng Road and with Nantang Old Street to its west, Fenghua River to its south and Yinjiang'an Road to its north, the project is near Metro Lines No. 2 and No. 4. Enjoying high accessibility, Tianyi Business Circle, Yinzhou Downtown and Jiangdong Old Town are just around the corner. In addition, the project is close to Fenghua River and Nantang Old Street, one of the eight famous historic streets with a strong cultural heritage and abundant scenic resources. Coupled with a comprehensive range of commercial, living, education and medical amenities, it is a liveable neighbourhood and is recognised as the "only remaining prime site" in the downtown area of Ningbo.

In September 2013, the Group successfully acquired the land use rights of the land parcel. It has a site area of 62,458 sq. m. and an estimated total gross floor area of 225,160 sq. m., consisting of three relatively independent land parcels. The project is the Group's first project in Ningbo and has a significant strategic meaning. The Group will seize this opportunity to take advantage of the local characteristics of Ningbo. Leverage on the green, ecological and technology concept, the Group endeavours to develop the project into the first green technology decorated high-end residential properties in Ningbo and a pure high-end high-quality product within the region, thus representing the landmark of high-end residential projects.

Guangzhou Nansha Project

(100% owned by the Group)

The project is located in Nansha District, Guangzhou City. As the sixth state-level new area, Nansha District officially obtained the approval for the Development Plans of Nansha New Area in Guangzhou by the State Council in September 2012. Situated at the southern end of Guangzhou, Nansha District is approximately 50 kilometres from the city centre and is around 50 minutes' ride from the downtown area by Metro Line No. 4, Nanshagang Express and Beijing-Zhuhai Expressway. Under the Development Plans, seven additional metro lines within the city will be constructed in the future, directly linking the airports in Guangzhou, Shenzhen and Hong Kong and Guangzhou South Railway Station to build a 0.5-hr commute within the Pearl River Delta Area.

At the end of September 2013, the Group successfully won the bid for the land parcel at the east of the stadium in Nansha District, Guangzhou City. The project has a site area of 243,400 sq. m. and a total gross floor area of 778,652 sq. m. The project is favourably located at the heart of Nansha new area with the government office nearby and the new CBD to its south. Adjacent to renowned secondary schools in Guangzhou and the Asian Games Stadium, Nansha Central Hospital Phase II is also under planning in the region, offering a comprehensive range of education, medical and living resources.

The Group plans to integrate the overall functions of the international quality life circle into its development and specialises in developing five major segments including commerce, business, culture, leisure and residence. It intends to build the project into a leading project in Nansha new area and a model district of quality life circle in Guangzhou, Hong Kong and Macau.

Property Development Segment | Reserved Projects

Chongqing Panlong Project

(100% owned by the Group)

The project is located in Jiulongpo District, Chongqing City. Jiulongpo District is one of the core areas in the main town of Chongqing City and is the strategic focal point within the "one-hour economic circle" in Chongqing, forming part of the core segment of the new town in the west where the state-level Chongqing New & High-Tech Industry Development Zone and three municipal specialised parks are gathered. It is the pioneer model site for urban and rural integrated facilities reform as well as the model site for scientific development and open economy in Chongqing. Jiulongpo District has a convenient transportation network offering convenient and speedy transportation and representing the investor's first choice of venture in Chongqing City.

On 6 December 2013, the Group won the bid for the land parcels in the land block of Dayangshi Division I, Jiulongpo District (Lot nos. I-29/02 and I-30-1/02). The project has a site area of 47,036 sq. m. and a total gross floor area of 300,000 sq. m. Enjoying a favourable geographical position, the project is located at the core region in Panlong Area, Jiulongpo District with Jewellery Town to its east, Panlong Primary School and Wanke West Town to its north and the city main routes to its south, namely Panlong Avenue, surrounded by a comprehensive range of education, medical and living amenities.

The Group plans to focus its efforts on the building quality, commercial amenities, unit design, gardening design and community amenities and develop it into a project surpassing the existing products in Panlong area to provide comfortable and high-quality residence to owners and thus becoming the first-choice project of the customers within the region.

Hangzhou Gongshu District Project

(100% owned by the Group)

Gongshu District, where the project lies, is one of the six major areas in Hangzhou City. There are four metro lines under planning and two of which runs across the district. In addition, there are expressways linking Xiaoshan Airport and Hangzhou East Railway Station, enjoying a favourable geographical location with convenient transportation.

On 10 January 2014, the Group successfully won the bid for Hangzhou Gongshu District Project. The project has a site area of 61,160 sq. m. and a total gross floor area of 242,300 sq. m. Qinglong Unit Area, Shenhua Segment, Gongshu District is an important area under Hangzhou Twelfth Five-Year Plan. The area will be developed into a large-scale residential community that encompasses commercial functions. There are a comprehensive range of commercial, education, living and medical functions within a radius of 2 kilometres from the project. The project has a well-established network with two main expressways connecting the old town area and is only 15 minute's ride from Wulin Plaza. There are two metro lines running in the region, which is only 1.5 kilometres from Fengtan Road Station of Metro Line No. 2 and is only 0.6 kilometre from Yile Road Station of Metro Line No. 5.

Adhering to its values of innovation and creativity and the corporate culture of striving for excellence, the Group integrates the elements of extravagance into this project to develop it into a new landmark of quality liveable residence in Hangzhou.

Shanghai Zhabei Daning International Community Project

(100% owned by the Group)

The project is located in between Inner Ring and Mid Ring Shanghai, which is 6 kilometres from the People's Square in the downtown of Shanghai, adjacent to the first metro line of Shanghai, Metro Line No. 1 and North-South Elevated Road. It is situated at the heart of one of the five major international communities in Shanghai – Daning International Community.

On 28 January 2014, the Group won the bid for Shanghai Zhabei Daning International Community Land Parcel Project. The project has a site area of 96,429.3 sq. m. and a total gross floor area of 289,200 sq. m. Adjacent to Daning International Plaza (which is an integrated commercial complex occupying an area of 250,000 sq. m.), Jiu Guang Department Store (which is the second branch in Shanghai) and Daning Lingshi Park (which is the largest city green area in the downtown of Puxi City), the project also carries through the concept of an all-round school district where the finest education resources in Zhabei District or even Shanghai are found, namely Daning International Kindergarten, Daning International Primary School, Fenghua Middle High School and Shanghai University.

The project is positioned as a high-end residential Palace Series product. Upon completion, it will become the fifth Jin Mao Palace project in China and the third city centre landmark of the Group in Shanghai following Jin Mao Tower in Lujiazui, Shanghai Port International Cruise Terminal Project and Shanghai International Shipping Service Center in the Bund. The acquisition of project signifies the presence of "Jin Mao Palace" as a high-end residential brand in Shanghai and also the setting of foothold of its high-end hotels, office buildings and high-end residence in Shanghai.

* For details of reserved projects, namely Shanghai Haimen Road Project and Nanjing International Center Phase II, please refer to the section under "BUSINESS REVIEW – PROPERTY DEVELOPMENT SEGMENT – CITY COMPLEX".

Property Related Business

The Group, through its superior **property management companies**, renders the highest standard of property management services to its customers. During the Period under Review, the Group fully implemented the “green gold” value and provided advanced green property management services. The consolidated property service business of the Group further strengthened the operation of its integrated value chain of property development, and improved the brand advantage and the asset value of the Group. Looking ahead, the Group expects that the property management business will bring more direct and indirect benefits to the Group.

The **Observation Deck** on the 88th floor of Jin Mao Tower, being one of the first Four A scenic spots in China, is a very popular tourist attraction in Shanghai.

The Group is also engaged in other businesses such as **building decoration, automobile services, international yacht services**, mainly to provide supporting services to its existing operations. The Group will also regularly review the profitability of such businesses, and the synergy generated between major businesses, so as to produce more direct and indirect benefits for the Group.

Create the Dream of Green China

Our Green Strategy

We are a responsible corporate citizen that implements green development strategies. We endeavour to become the industry benchmark and the paradigm enterprise in application for green development. We integrate the leading quality resources and introduce the best concept to more cities in China. We look forward to working with various parties in the community in building our corporate image as a responsible, green and quality property developer and becoming a well-respected and leading quality property developer!

Management Discussion and Analysis

Green Strategy

01 FRANSHION PROPERTIES' GREEN STRATEGY AND GREEN PHILOSOPHY

In recent years, due to global warming, scarce resources, environmental pollution and accelerated urbanisation in developing countries, "greening" has become a topic of most concern amongst the governments and residents around the globe. Adhering to its parent company Sinochem Group's corporate spirit of "becoming the industry role model of leading technology, resource efficiency and environmental conservation", Franshion Properties adopts an environmentally friendly sustainable development concept through entering into the energy management contract for Jin Mao Tower in 2000 and adopting a sustainable design for Shanghai International Shipping Service Center in 2004. In addition, the green strategy has duly become one of the major strategies for corporate development since 2010.

While actively putting the green strategy into practice, Franshion Properties has been granted a number of national honours and ranked No.1 in many areas in the industry. Not only can they receive the attention and recognition from the central government and the local governments at various levels, they also allow the Company to gain credibility and public awareness, thus establishing a good corporate image. Through integrating the green philosophy into the product, building the green eco-city in urban development and shaping the "green technology, green gold label" (綠色科技，綠金品質) health technology system in urban residence, the Group not only gains the recognition from the consumers, but also generates excellent economic benefits. Besides, Franshion Properties also attaches great importance to investing in school projects, developing green campus, promoting green education and carrying out a number of social green community activities so as to build good social values. After three years of implementation, the green strategy has not only generated new growth opportunities and resources to the Company, but, along with Franshion Properties' own efforts, also helped establish an eco-city development model in harmony between the enterprise, government and consumers, thereby setting the benchmark in the green management model in the real estate industry.

- Franshion Properties' green strategy aims to develop itself as the "pioneer in sound green property management in China";
- It is positioned as "China's eco-city operator, green campus innovator, green hotel leader, low-energy consumption and high-quality building representative as well as greenhouse gas emission reduction leader" by upholding the guiding concepts of "high standard, scientific, systematic, differentiated, marketised development".

ECO-CITY OPERATOR IN CHINA

Develop eco-city projects such as Changsha Meixi New City and adopt the green ecology concept in the entire process from green planning & design to green operation & management to make it the model green eco-city project and replicate such success in other projects of the Company and promote such to the industry peers or even at a global scale in line with the Company's position as the green eco-city operator.

GREEN CAMPUS INNOVATOR IN CHINA

Build the first green school which has been granted both the three-star certification and LEED platinum certification, facilitate the development of green education, compile green teaching materials, and participate in the preparation of standards on green campus in China, and extends the promotion to a national scale so as to become the green campus innovator in China.

CHINA GREEN HOTEL LEADER

From green hotel development and forming green hotel study groups to participating in the preparation of national standards, namely the Standards on China Green Hotels (中國綠色飯店標準), Franshion Properties aims to establish a green hotel technology exchange and cooperation platform so as to facilitate the green technology and green management in the hotel industry through providing support and resources throughout the green hotel process such as organising a series of academic exchanges and training sessions.

LOW-ENERGY CONSUMPTION AND HIGH-QUALITY BUILDING REPRESENTATIVE

Fully implement the green strategy according to the local landscape and prioritise based on passiveness, reasonably utilise the green building technology and develop a series of low-energy consumption and high-quality building products so as to develop Franshion Properties as the representative of low-energy consumption and high-quality products in the industry.

GREENHOUSE GAS EMISSION REDUCTION LEADER

Carry out green financial actions by completing the "first carbon neutral transaction in the building industry in China" and the "first carbon transaction in the building industry in China", enhance the Company's influence and its core competitiveness in the industry, and display its strong commitment to fulfilling the corporate social responsibilities so as to become the greenhouse gas emission reduction leader.

02 GREEN HONOURS

Green Recognitions and Awards

Awards	Projects
State-level Model Green Eco-city (state-level award)	Changsha Meixi Lake New City
National Green Building Model Site	Shanghai North Bund Project
State-level Green Building Innovation Award (state-level award)	Beijing Jin Mao Palace Primary School Qingdao Jin Mao Bay
State Green Building Certification	Beijing Jin Mao Palace Primary School (three-star) Beijing Chemsunny World Trade Centre (three-star) Qingdao Jin Mao Bay (three-star) Qingdao Jin Mao Bay Kindergarten (three-star) Changsha Meixi Lake Bocai Primary School (two-star) Changsha City Yuelu District Experimental Primary School (two-star) Shanghai Port International Cruise Terminal Project (three-star) Chongming Hyatt Hotel (two-star) Chongqing Jin Mao Long Yue Kindergarten (two-star)
UK Green Building BREEAM Certification	Changsha Green Centre – Excellence Category Certification Shanghai Port International Cruise Terminal Project – Merit (two items)
US Green Building LEED Certification	Beijing Chemsunny World Trade Centre – Platinum Beijing Jin Mao Palace Primary School – Platinum Shanghai International Shipping Service Center Project – Gold (six items) Jin Mao Tower – Gold
Jing Rui Science and Technology Award	Changsha Meixi Lake New Eco-City – Innovation Award Changsha Green Centre – Gold Award Changsha Jin Mao Meixi Lake – Planning & Design Award Changsha Meixi Lake Primary School – Green and Low Carbon Building Award Qingdao Jin Mao Bay – Merit Award Grand Hyatt Lijiang – Merit Award Beijing Jin Mao Palace Primary School – Green and Low Carbon Building Gold Award Beijing Jin Mao Palace Project – Green and Low Carbon Building Award Beijing Chemsunny World Trade Centre – Green and Low Carbon Building Award Shanghai Port International Cruise Terminal Project and Shanghai International Shipping Service Center – Green Low Carbon Building Award Shanghai Jin Mao Noble Manor – Green and Low Carbon Community Award
National Residence Classics Award	Qingdao Jin Mao Bay Classics Award

Management Discussion and Analysis

Green Strategy


01


02

03

01 In 2012-2013, Franshion Properties won a number of awards for its green efforts, demonstrating its image as the pioneer in green property management. Changsha Meixi Lake New City was listed in the first batch of the "green and ecological model cities" in China.

02 In 2013, Beijing Jin Mao Palace Primary School and Qingdao Jin Mao Bay won the National Green Building Innovation Award.

03 In 2014, Beijing Experimental No.2 Chaoyang Primary School (Jin Mao Palace Primary School) was awarded with LEED-School Platinum Certification by USGBC, representing the first school in Asia granted with the highest standard certification by LEED.

04 Shanghai North Bund Project was granted the title of the National Green Building Model Site in Eastern China (華東地區國家綠色建築示範推廣基地).

05 Changsha Green Centre was the first project in Asia granted with the Excellence Award by BREEAM.


04

05

National Topics and National Standards on Greening

Franshion Properties participated in one session under the "Key Programme of the Ministry of Science and Technology under the Eleventh Five-Year Plan"; participated in five sessions under the "Key Programme of the Ministry of Science and Technology under the Twelfth Five-Year Plan"; participated in the formulation of three standards under the "National Standards"; and obtained two national patents.

Name of honour	Name of projects participated or topics
Key Programme of the Ministry of Science and Technology under the Twelfth Five-Year Plan	Chongming Jin Mao Noble Manor Low-carbon Economic Industry Model Research (崇明金茂逸墅低碳經濟產業示範研究)
Key Programme of the Ministry of Science and Technology under the Twelfth Five-Year Plan	Office Building Greening Reform Technology Model Research and Project (辦公建築綠色化改造技術研究與工程示範), Existing Building Greening Reform Integrated Inspection and Evaluation Technology and Marketing System Research (既有建築綠色化改造綜合檢測評定技術與推廣機制研究), Performance Oriented Green Building Design Optimisation Technology Research (性能目標導向的綠色建築設計優化技術研究), Indoor Healthy Environment Integrated Protection and Model Project (建築室內健康環境綜合保障與示範工程) and Energy-saving Project Carbon Emission and Carbon Emission Evaluation Technology Research and Application (建築節能項目碳排放和碳減排量化評價技術研究與應用)
National Standards Preparation	Evaluation Standards on Green Buildings (綠色建築評價標準), Standards on China Green Hotels (中國綠色飯店標準) and Guideline on Energy-saving Evaluation - Energy-saving Building Projects (節能量評價技術指南之建築節能項目)
State-level Green Building Innovation Award	Qingdao Jin Mao Bay and Beijing Jin Mao Palace Primary School
National Patents	Cold/condensed water recycling facilities and building ventilation and new wind energy recovery facilities

Management Discussion and Analysis

Green Strategy

Green Events

With respect to green events, taking the lead and resource integration are characteristics of Franshion Properties' green strategy. During 1 to 3 April 2013, the 9th International Conference on Green and Energy-Efficient Buildings cum New Technology and Product Expo (國際綠色建築與建築節能大會暨新技術與產品博覽會) was held at Beijing International Convention Center. Franshion Properties was invited to participate in the Conference and to organise the "Implementation and Transformation of Green Strategy in the Real Estate Industry in China" (中國房地產綠色戰略實踐與轉型) seminar. At the opening ceremony, our Chief Executive Officer, Mr. LI Congrui delivered a

Chairman HE Cao attended the 17th United Nations Climate Change Conference

In 2012, Franshion Properties participated in the China Green Building Achievement Exhibition (中國綠色建築成果展) in Hong Kong

Franshion Properties won a total of 11 awards in the construction category at the Jing Rui Science and Technology Award

In 2011, Chairman HE Cao and Mr. QIU Baoxing, the Vice Minister of the Ministry of Housing and Urban-Rural Development of the PRC met at the 7th International Conference on Green and Energy-Efficient Buildings

In 2012, at the 8th International Conference on Green and Energy-Efficient Buildings, Franshion Properties entered into a strategic cooperation agreement with China Green Building Council (中國綠建委)

In 2013, our Chief Executive Officer, Mr. LI Congrui attended the 9th International Conference on Green and Energy-Efficient Buildings speech on "Franshion Properties' Road to Green Building", while Mr. QIU Baoxing the Vice Minister of Ministry of Housing and Urban-Rural Development of the PRC praised "Franshion Properties as the green pioneer in the real estate industry in China" and highly recognised and complimented Mr. LI Congrui's wonderful speech, and appraised Franshion Properties' green efforts in achieving three successful transformations from green building to green city, from green design to green management and from green enterprise to the entire green community.

In 2013, our Chief Executive Officer, Mr. LI Congrui, attended the State Low Carbon Community Conference organised by the NDRC

In 2012, our Chief Financial Officer, Mr. JIANG Nan, attended the Asia-Pacific Real Estate Summit (亞太房地產峰會) to exchange views on Franshion Properties' green philosophy

National University Real Estate Planning Contest – Franshion Cup 2012

In 2013, our Vice President, ZHANG Zhichao, attended the 4th Sino-British Industry and Commerce Summit (第四屆中英兩國政府首腦工商峰會)

CCTV's coverage on Franshion Properties' first carbon transaction in the building industry in China in 2013

Sino-British Meixi Lake Green Building Exchange 2013

Management Discussion and Analysis

Green Strategy

03 GREEN PRODUCTS

As part of the green strategy, Franshion Properties insists on taking a practical, appropriate and marketised approach. As to large-scale public infrastructure, Franshion Properties owns many high-end properties and hotels including super large-scale public infrastructure such as Jin Mao Tower and Beijing Chemsunny World Trade Centre and a number of 5-star hotels. Through continuous efforts in green energy-saving restructuring, energy consumption reduction and operating cost control, as well as conducting research on carbon emission transaction, the Group not only provides customers with a healthier and more comfortable environment but also increases its efficiency. As to the development of newly built residential products, complying with the principle of "priority based on passiveness and local landscape" (被動優先、因地制宜), the Company fully utilises the existing resources and provides quality green health products at controllable costs where a number of projects have won the state green star-rated certifications and earned market recognition. We attach great importance to carrying out technology integration research based on the resource conditions of different climate zones and have gained good practical experience in the development and operation of eco-city and the utilisation of a number of heat pump technologies and renewable energy resources including hydropower, geothermal power and solar power.

Eco-city

As the pace of urbanisation accelerates, green building is gradually transforming from an individual basis to the development of eco-city. Franshion Properties positions Changsha Meixi Lake as an "internationalised, technological innovative new eco-city" (國際化新城、科技創新城、綠色生態城), representing Changsha City's new namecard and "two-type (resources saving and environmentally friendly) community" model of Changsha-Zhuzhou-Xiangtan City Group. Leverage on the remarkable achievements of its green and ecological development efforts, at the end of October 2012, Meixi Lake New City was listed in the first batch of the "green and ecological model cities" in China.

Green Strategy

Technology Residence

Adhering to the high-end positioning, Franshion Properties aims to develop a highly comfortable and low-energy consumption technology residential project with "constant temperature, humidity and oxygen" – Jin Mao Palace Series residential projects. Jin Mao Palace Series technology residence is the signature of the high-end product line of Franshion Properties' residential products. Adopting a capillary radiation terminal and 24-hour air circulation system, it provides a healthy and comfortable indoor environment with constant temperature, humidity and oxygen under dense smog conditions. Besides, it has a geothermal heat pump system in place to supply heat using the thermal energy from the ground during winter and to supply cooling using the chill from the ground during summer where the residual heat in the building is trapped on the ground. Accordingly, it can effectively utilise the geothermal energy from the upper layer in the soil to reduce the energy consumption of the residential building and increase the level of comfort.

In 2009, Franshion Properties' first Jin Mao Palace Series technology residential product – Beijing Guangqu Jin Mao Palace commenced construction planning. The property units were successively delivered in 2012. Until 2013, it has been operating for more than one year. Given the long-term smog condition in Beijing, it provides a healthy living environment to the property owners. From 2012 to 2013, Franshion Properties completed the streamlining of the Jin Mao Palace Series residential product line, completed the formulation of guidelines for the technology residential development and widely applied such in Beijing Wangjing Jin Mao Palace Project, Suzhou Gusu Jin Mao Palace Project and Ningbo Nantang Jin Mao Palace Project.

Management Discussion and Analysis

Green Strategy

Other Green Products:

Residence

Qingdao Jin Mao Bay

The project is the first residential project in Qingdao that is granted with the state green building certification (three-star) which utilises sewage source heat pump technology to generate energy so as to satisfy the demand for heating and cooling from retail shops and residents, complemented with green technologies including energy-saving structure, natural ventilation, reclaimed water recycling and green irrigation, etc.

Chongqing Jin Mao Long Yue

It is a one-star green building in Chongqing developed according to the climatic characteristics and the local landscape of the mountain city, establishing the benchmark of green building mandatorily for all new structures in Chongqing.

Shanghai Jin Mao Noble Manor

The project utilises a range of green technologies: geothermal heat pump system, reclaimed water recycling and utilisation system, solar energy photovoltaic power generation system and wind power charging system. The project has been granted the Green and Low Carbon Community Award (Merit) at the Jing Rui Science and Technology Award in 2011 and participated in the "Research on Integrated Application and Demonstration of Key Technologies in Low-carbon Economic Industry Development Model in Chongming" (崇明低碳經濟產業發展模式關鍵技術集成應用與示範研究) under the Key Programme of the Ministry of Science and Technology under the Eleventh Five-Year Plan.

Public infrastructure

Jin Mao Tower

Early in 2000, the project introduced the energy management contract and carried out the variable frequency energy-saving restructuring on the cooling water system for the tenants of the building. Upon the expiry of the contract in October 2004, the initial capital for restructuring recovered amounted to approximately RMB1.11 million. Total energy saved amounted to approximately RMB1.94 million. The project has been granted the Gold Certification by LEED, US Green Building Council.

Beijing Chemsunny World Trade Centre

It utilises the green technologies of rooftop greening, double glass wall, atrium lighting, reclaimed water recycling, micro-irrigation and heat recovery ventilation. In 2012, five energy-saving restructuring projects were launched. It has been granted the Platinum Certification by the US LEED, Green and Low Carbon Building Award at the Jing Rui Science and Technology Award and participated in the "Research and Application of Technologies on Carbon Emission and Carbon Emission Reduction Quantitative Assessment with respect to Building Energy Saving Projects" (建築節能項目碳排放和碳減排量化評價技術研究與應用) under the Twelfth Five-Year Plan of the Ministry of Science and Technology.

Shanghai Port International Cruise Terminal Project and Shanghai International Shipping Service Center

It utilises the green technologies including the river source heat pump and ice storage cooling technology, double glass wall, underground cooling ventilation system, artificial port basin and yacht terminal, atrium lighting, port basin water and reclaimed water recycling technology and the rainwater collection technology. It has been granted the US LEED Gold Certification, UK BREEAM Excellence Award, Green and Low Carbon Building Merit Award at the Jing Rui Science and Technology Award and the Energy Saving Building Model Project in Shanghai" (上海市建築節能示範項目).

Management Discussion and Analysis

Green Strategy

Hotel

Westin Beijing, Chaoyang

By carrying out a large-scale energy-saving restructuring through energy management contract, it is expected that the energy saved after restructuring will reach 600 tonnes of standard coal per annum.

Lijiang Grand Hyatt

The project is the first green standard three-star hotel project in Yunnan that utilises the green technologies of rooftop greening, vertical greening, permeable ground, heat recovery ventilation system, adjustable external shading, solar energy water heater, rainwater collection utilisation, micro-irrigation, indoor quality control and natural lighting.

Chongming Hyatt

The project utilises a range of green technologies: reclaimed water recycling, energy efficient lighting, atrium and guided lighting and CO and CO_2 testing system. The project has been granted the green standards two-star certification in China.

04 GREEN COLLABORATION AND IMAGINATION

Collaboration

Adhering to Franshion Properties' spirit of facilitating the future development of green building in China through win-win cooperation, we actively work with different parties to introduce innovative green technologies and design philosophies that integrate with more green resources with a view to building a better and green tomorrow together with various parties.

CHINA GREEN BUILDING COUNCIL

In March 2013, Franshion Properties entered into the collaboration agreement with China Green Building Council which sets out the comprehensive collaboration of the parties in the areas of green building, eco-city development, green education and green hotel.

BRITISH BUILDING RESEARCH ESTABLISHMENT (BRE)

Franshion Properties actively capitalises on the foreign advanced experience in green building and introduces the advanced green technologies and design philosophies. Through building Changsha Green Centre with British Building Research Establishment (BRE), coupled with the green certification for Shanghai Port International Cruise Terminal Project and Shanghai International Shipping Service Center, Franshion Properties has created a Sino-British platform in the area of green building making, a good start towards this collaboration.

GREEN TECHNOLOGY BUSINESS PARTNER

Franshion Properties has commenced working with many green building technology providers to integrate various technology strengths and facilitate the green building development together.

US GREEN BUILDING COUNCIL (USGBC)

Franshion Properties maintains long-term relationship with US Green Building Council (USGBC) and has been a gold member since 2013, which further facilitates the understanding and capitalises on the US green building technology, thus building the technology reserve for Franshion Properties' green building.

Management Discussion and Analysis

Green Strategy

Corporate culture

As a leading real estate enterprise with the green strategy as one of its major strategies, Franshion Properties carries through the "Green Gold" (綠金) corporate culture. Taking the "green" initiative, the Group strives to motivate the community to go "green" through developing the "Green Gold" corporate culture in the areas of green cultural activities, monthly green-theme events and green information resource sharing.

Green Cultural Activities

Management Discussion and Analysis

Green Strategy

Green Information

Imagination

In 2013, Franshion Properties firmly combined the ecological and civilised development with the economy, politics, culture and society as one integrated component to stress the importance of environmental protection and the strategic growth opportunities, bringing the Company's revolution and development to the next level. To Franshion Properties, the green philosophy is what Franshion Properties relies upon while focusing on the mission of "unleashing future vitality of the city", striving to become well-respected quality real estate pioneer and setting the green benchmark in the real estate industry in China, which encompasses respect and affinity to nature; care to customers; persistence and innovation to the city; responsibility to society.

In 2014, we will continue to develop our green core competitiveness and highlight the green strategy in expanding our land bank, increasing our product returns and enhancing our corporate image, as well as endeavour to build a green platform for resources, research and development and services. We will continue construct more eco-cities, build more eco-friendly technology residence, implement energy-saving restructuring in existing buildings, develop green demo projects, organise green exchange and seminars, form green hotel study groups, and implement green education. In the era of "modern urbanisation", Franshion Properties will consistently fulfil its social responsibilities and persistently explore new ideas and innovative practices. While achieving its own development, Franshion Properties will also strive to make greater contributions towards industry advancement, urban development and building a beautiful China.

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REVIEW ON OVERALL RESULTS OF THE COMPANY

For the year ended 31 December 2013, profit attributable to owners of the parent amounted to HK$4,227.2 million, representing an increase of 25% compared with HK$3,377.7 million in 2012. Excluding the effect of fair value gains on investment properties, net of deferred tax, the profit attributable to owners of the parent would be HK$2,910.3 million, representing an increase of 35% compared with HK$2,158.3 million in 2012.

REVENUE

For the year ended 31 December 2013, the revenue of the Group was HK$20,718.9 million, representing an increase of 21% compared with HK$17,175.7 million in 2012.

Revenue by business segments

	For the year ended 31 December				
	2013		2012		
	HK$ million	Percentage of the total revenue (%)	HK$ million	Percentage of the total revenue (%)	Year-on-year change (%)
Property development	16,867.7	81	13,445.4	78	25
Property leasing	1,248.8	6	1,106.4	6	13
Hotel operations	2,061.2	10	2,010.2	12	3
Others	541.2	3	613.7	4	(12)
Total	20,718.9	100	17,175.7	100	21

In 2013, revenue from property development of the Group increased by 25% over that of 2012 to approximately HK$16,867.7 million and accounted for 81% of the total revenue, which was mainly attributable to Beijing Guangqu Jin Mao Palace Project, Shanghai International Shipping Service Center Project and Changsha Meixi Lake Project. Revenue from property leasing grew by 13% compared with that of last year and accounted for 6% of the total revenue, which was primarily due to the performance growth of a number of the Group's office buildings and the acquisition of Nanjing International Center Project. Revenue from hotel operations increased by 3% from 2012 and accounted for 10% of the total revenue, which was primarily attributable to the acquisition of Westin Nanjing due to the acquisition of Nanjing International Center Project. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management and building decoration) accounted for 3% of the total revenue, representing a decrease of 12% over that of last year, which was mainly because of the decrease in revenue from the building decoration business.

COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales of the Group for the year ended 31 December 2013 was approximately HK$11,518.6 million (2012: HK$9,977.0 million) and the overall gross profit margin of the Group in 2013 was 44%, which increased slightly as compared with that of last year.

The gross profit margin of property development increased compared with that of 2012; the gross profit margin of property leasing and the gross profit margin of hotel operations decreased slightly compared with those of 2012. Gross profit margin of other business sectors increased slightly from last year, mainly because of the increase in gross profit margin of the building's decoration business.

Gross profit margin by business segments

	For the year ended 31 December	
	2013 Gross profit margin (%)	2012 Gross profit margin (%)
Overall	44	42
Property development	41	38
Property leasing	88	90
Hotel operations	51	53
Others	17	14

OTHER INCOME AND GAINS

Other income and gains of the Group for the year ended 31 December 2013 increased by 22% from HK$1,931.3 million in the same period of 2012 to approximately HK$2,355.3 million. The increase was mainly due to the gain on bargain purchase of HK$142.9 million arising from the acquisition of Nanjing International Center Project by the Group and the increase in the fair value gain of investment properties arising from the investment properties held by the Group. The fair value gain on investment properties arising from the investment properties held by the Group amounted to HK$1,831.3 million, representing an increase of 13% as compared with HK$1,625.9 million in 2012.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group for the year ended 31 December 2013 increased by 42% to HK$623.8 million from HK$439.1 million in the same period in 2012, mainly because of the increase in selling and marketing expenses of Beijing Wangjing Jin Mao Palace Project and Beijing Asian Olympics Jin Mao Yue Project, Lijiang Jin Mao Snow Mountain Whisper Project, Suzhou Gusu Jin Mao Palace Project, Beijing Yizhuang Jin Mao Yue Project and Jin Mao Meixi Lake Project that commenced sales during the Year. Selling and marketing expenses comprise primarily the advertising expenses, commissions paid to the relevant sales agencies and other expenses in relation to market promotion incurred in the Group's daily operations. Selling and marketing expenses accounted for 3% (2012: 3%) of the Group's total revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the year ended 31 December 2013 amounted to HK$1,161.6 million, representing an increase of 20% from HK$968.1 million in the same period in 2012. The increase was mainly attributable to the business expansion and the increase in general office expenses of the Group. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 6% (2012: 6%) of the Group's total revenue.

Management Discussion and Analysis

Financial Review

FINANCE COST

Finance cost of the Group for the year ended 31 December 2013 was HK$1,324.6 million, representing an increase of 34% from HK$986.0 million in 2012. The increase in finance cost was mainly attributable to the new issue of bonds and increase in loans during the Year.

TAX

The Group had a tax charge of HK$3,393.3 million for the year ended 31 December 2013, representing an increase of 22% from HK$2,783.0 million in 2012. The increase in tax charge was primarily attributable to the increase in income tax due to higher profit before tax and the increase in land appreciation tax due to higher property sales revenue during the Year. The Group's effective income tax rate for 2013 was 40% (2012: 41%), which was substantially the same as that of last year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2013, profit attributable to owners of the parent amounted to HK$4,227.2 million, representing an increase of 25% compared with HK$3,377.7 million in 2012. Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax, amounted to HK$2,910.3 million, an increase of 35% compared with HK$2,158.3 million in 2012.

Basic earnings per share for the Year were HK46.14 cents, an increase of 25% compared with HK36.87 cents in 2012. The increase in basic earnings per share was primarily attributable to the substantial increase in the profit attributable to owners of the parent for the Year. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was HK31.77 cents (2012: HK23.56 cents).

In October 2010, the Group issued perpetual convertible securities in the amount of US$600 million, resulting in a dilution of earnings per share. Upon dilution, earnings per share of the Company amounted to HK39.12 cents (2012: HK31.26 cents).

Comparison of profit attributable to owners of the parent before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December		
	2013 (HK$ million)	2012 (HK$ million)	Year-on-year change (%)
Profit attributable to owners of the parent	4,227.2	3,377.7	25
Less: fair value gains on investment properties, net of deferred tax	(1,316.9)	(1,219.4)	8
Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax	2,910.3	2,158.3	35
Basic earnings per share (in HK cents)	46.14	36.87	25
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (in HK cents)	31.77	23.56	35

INVESTMENT PROPERTIES

As at 31 December 2013, investment properties of the Group comprised the Central and West Towers and some floors of the East Tower of Beijing Chemsunny World Trade Centre, offices of Jin Mao Tower (for lease), Sinochem Tower, office building and shopping mall of Nanjing International Center, Changsha Jin Mao Meixi Lake International R&D Centre and the clubhouse of Zhuhai Every Garden Project. Investment properties increased from HK$16,574.7 million as at 31 December 2012 to HK$22,018.5 million as at 31 December 2013. The increase was mainly due to the acquisition of Nanjing International Center Project, transfer of properties held for sale to investment properties and the appreciation of investment properties.

PROPERTIES UNDER DEVELOPMENT

As at 31 December 2013, the current portion of properties under development comprised property development costs incurred by properties under development pre-sold or intended for sale and expected to be completed within one year from the end of the reporting period, mainly including Beijing Guangqu Jin Mao Palace Project, Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project, Qingdao Jin Mao Bay Project, Chongqing Jin Mao Long Yue Project, Changsha Meixi Lake Jin Mao Yue Project, Changsha Jin Mao Meixi Lake Project, Lijiang Jin Mao Snow Mountain Whisper Project, Suzhou Gusu Jin Mao Palace Project and Shanghai Dongtan Jin Mao Noble Manor Project, whereas the non-current portion of properties under development comprised property development costs incurred by properties under development not yet pre-sold and expected to be completed after one year from the end of the reporting period.

The increase in properties under development (current and non-current) from HK$23,431.3 million as at 31 December 2012 to HK$44,031.9 million as at 31 December 2013 was mainly attributable to the acquisition of Beijing Yizhuang Jin Mao Yue Project, Shanghai Haimen Road Project, Ningbo Nantang Jin Mao Palace Project and Guangzhou Nansha Project and the costs newly incurred for other properties under development, which were partially offset by the transfer as a result of the sale of the units in Beijing Guangqu Jin Mao Palace Project, Shanghai International Shipping Service Center Project, Shanghai Dongtan Jin Mao Noble Manor Project and Changsha Jin Mao Meixi Lake Project.

PROPERTIES HELD FOR SALE

As at 31 December 2013, properties held for sale included the unsold portion of Beijing Guangqu Jin Mao Palace Project, the unsold portion of parking spaces of Beijing Chemsunny World Trade Centre, the unsold portion of Shanghai Dongtan Jin Mao Noble Manor Project, the unsold portion of Nanjing International Center Project, the completed but unsold portion of Shanghai International Shipping Service Center Project, the completed but unsold portion of Changsha Jin Mao Meixi Lake Project and the completed but unsold portion of Qingdao Jin Mao Bay Project.

The increase in properties held for sale from HK$3,078.1 million as at 31 December 2012 to HK$5,915.5 million as at 31 December 2013 was mainly attributable to the fact that some of the buildings in Qingdao Jin Mao Bay Project and Changsha Jin Mao Meixi Lake Project were completed but unsold during 2013 and the acquisition of Nanjing International Center Project.

LAND UNDER DEVELOPMENT

As at 31 December 2013, land under development (current and non-current) included the land costs of development projects including Changsha Meixi Lake Primary Land Development Project (Phases I and II), Changsha Meixi Lake Land Block A Primary Development Project and Sanya Yazhou Primary Land Development Project.

Management Discussion and Analysis

Financial Review

TRADE RECEIVABLES

Trade receivables increased from HK$2,003.1 million as at 31 December 2012 to HK$4,202.0 million as at 31 December 2013, which was primarily attributable to the increase in receivables due to higher sales revenue from the property development segment during the Year.

TRADE PAYABLES

As at 31 December 2013, trade payables were HK$5,304.2 million, representing an increase of 110% compared with HK$2,525.7 million as at 31 December 2012, which was mainly due to the increase in land premium payable and progress payment as a result of the Group's business expansion.

INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2013, interest-bearing bank and other borrowings (including current and non-current) were HK$35,806.1 million, representing an increase of 27% over HK$28,275.4 million as at 31 December 2012. The increase in interest-bearing bank and other borrowings was primarily due to the increase in external loans used for new project development and issuance of senior notes.

Analysis of interest-bearing bank and other borrowings

	As at 31 December		
	2013 (HK$ million)	2012 (HK$ million)	Year-on-year change (%)
Interest-bearing bank and other borrowings (including current and non-current)	35,806.1	28,275.4	27
Less: Pledged deposits	–	(220.8)	(100)
Interest-bearing bank and other borrowings, net of pledged deposits	35,806.1	28,054.6	28

GEARING RATIO

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less other financial assets (financial products), restricted bank balances, pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity as well as the amounts due to related parties. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio as at 31 December 2013 and 31 December 2012 were as follows:

	As at 31 December	
	2013 (HK$ million)	2012 (HK$ million)
Interest-bearing bank and other borrowings (including current and non-current)	35,806.1	28,275.4
Less: cash and cash equivalents	(14,490.0)	(12,888.4)
restricted bank balances and pledged deposits	(303.4)	(576.0)
other financial assets – financial products	(22.5)	(123.3)
Net debt	20,990.2	14,687.7
Total equity	47,219.5	34,502.8
Add: amounts due to related parties	3,443.6	99.6
Adjusted capital	50,663.1	34,602.4
Net debt-to-adjusted capital ratio	41%	42%

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service the Group's indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank and other borrowings, issue of perpetual convertible securities, issue of senior notes and issue of new shares.

As at 31 December 2013, the Group had cash and cash equivalents of HK$14,490.0 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2012: HK$12,888.4 million).

As at 31 December 2013, the Group had total interest-bearing bank and other borrowings of HK$35,806.1 million compared to HK$28,275.4 million as at 31 December 2012. An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2013 (HK$ million)	2012 (HK$ million)
By term:		
Within 1 year	6,139.2	8,952.2
In the second year	1,776.0	2,253.9
In the third to fifth years, inclusive	18,140.9	8,948.8
Over five years	9,750.0	8,120.5
Total	35,806.1	28,275.4

Financial Review

Interest-bearing bank and other borrowings of approximately HK$6,139.2 million were repayable within one year shown under current liabilities. All of the Group's borrowings are denominated in RMB, HK dollar and US dollar. As at 31 December 2013, save as interest-bearing bank loans and other borrowings of approximately HK$11,783.3 million that bore interest at fixed rates, other interest-bearing bank loans and other borrowings bore interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2013, the Group had banking facilities of HK$50,226.3 million denominated in RMB, HK dollar and US dollar. The amount of banking facilities utilised was HK$27,135.2 million.

The Group's net cash inflow of HK$1,563.2 million for the year ended 31 December 2013 consisted of:

A net cash outflow of HK$4,996.7 million from operating activities, which was mainly attributable to the payment of land and construction costs, marketing expenses, administrative expenses and tax charge, was partially offset by the proceeds derived from the sales of properties, property rental and revenue from hotel operations etc.

A net cash outflow of HK$1,004.4 million from investing activities, which was mainly attributable to the investment and purchase of fixed assets.

A net cash inflow of HK$7,564.2 million from financing activities, which was mainly attributable to the issuance of senior notes by the Group, contribution from non-controlling shareholders, and addition of bank loans and other borrowings, was partially offset by repayments of bank and other borrowings, payment of interests and payment of dividends for 2012.

PLEDGE OF ASSETS

As at 31 December 2013, the Group's interest-bearing bank and other borrowings were secured by the Group's hotel properties and buildings of HK$5,003.6 million, properties under development of HK$12,065.2 million, properties held for sale of HK$275.7 million, land use rights of HK$345.4 million, investment properties of HK$14,770.7 million and trade receivables of HK$40.9 million.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$5,158.0 million (2012: HK$1,638.4 million).

MARKET RISK

The Group's assets are predominantly in the form of land use rights, land under development, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Mainland China, these assets may not be readily realised.

INTEREST RATE RISK

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the Group's debt obligations. The Group does not currently use any derivative instruments to manage the interest rate risk.

FOREIGN EXCHANGE EXPOSURE RISK

Substantially all of the Group's revenue and costs are denominated in Renminbi. The Group reports its financial results in Hong Kong dollars. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. The Group has not currently engaged in hedging to manage its currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

Investor Relations Report

INVESTOR RELATIONS ACTIVITIES FOR 2013
January Participated in the investors meeting held by Nomura Securities in Hong Kong
Participated in the investors meeting held by Deutsche Bank in Beijing
Participated in the investors meeting held by UBS in Shanghai
Participated in the investors meeting held by DBS in Singapore
Participated in the investors meeting held by BNP Paribas in Hong Kong
March Announced annual results for 2012
– Held press conference
– Held analysts meeting
Participated in non-deal related roadshows in Hong Kong, Singapore and the US
April Participated in the investors meeting held by DBS in Hong Kong
Participated in the investors meeting held by HSBC in Hong Kong
May Participated in the investors meeting held by Macquarie in Hong Kong
Participated in the investors meeting held by Morgan Stanley in Hong Kong
Participated in the investors meeting held by Deutsche Bank in Singapore
June Participated in the investors meeting held by JP Morgan Chase in Beijing
Participated in the investors meeting held by Citibank in Hong Kong
Participated in the investors meeting held by HSBC in London

INVESTOR RELATIONS ACTIVITIES FOR 2013
July Participated in the investors meeting held by Macquarie in Hong Kong
Participated in the investors meeting held by Bank of America Merrill Lynch in Hong Kong
August Announced interim results for 2013
– Held press conference
– Held analysts meeting
Participated in non-deal related roadshows in Hong Kong and Singapore
September Participated in the investors meeting held by Daiwa in Hong Kong
October Participated in the investors meeting held by Jefferies in Hong Kong
Held reverse roadshow
November Participated in the investors meeting held by Goldman Sachs in Hong Kong
Participated in the investors meeting held by Citibank in Macau
Participated in the investors meeting held by Bank of America Merrill Lynch in Hong Kong
Participated in the investors meeting held by Morgan Stanley in Singapore
Participated in the investors meeting held by CICC in Hong Kong
Participated in the investors meeting held by Mizuho in Hong Kong
December Participated in the investors meeting held by Bank of America Merrill Lynch in Hong Kong

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication is essential for establishing sound interaction with its shareholders. The Company is committed to providing its existing and potential investors with accurate and timely information, and keeping a close two-way communication by various means, thereby enhancing the transparency of information disclosure. The Company attaches great importance to the communications with shareholders and public investors to ensure them to have a good channel for voicing their opinions and advice on the Company's performance. At the same time, the Company may also explain the operating conditions of the projects and their growth strategies.

The Company has maintained an effective two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report, interim report and circular – they are distributed to shareholders and investors pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange (the "Stock Exchange") and also analysts who are interested in the Company's performance;

- Annual general meeting – the Chairman and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;

- The Company's interim and final results announcement conference – announce the Company's interim or final results and respond to investors' and the media's inquiries;

- Disclosure of the Company's information on its own initiative – the Company will, through different means, including investors meetings, extraordinary shareholders' meetings, telephone conferences, press releases and media interviews etc., announce material information about the Company to the market in a timely manner and in compliance with the relevant requirements, including the Listing Rules, Securities and Futures Ordinance and the Guidelines on Disclosure of Inside Information, and timely respond to inquiries by investors and analysts;

- Periodic meetings with institutional investors and securities analysts on its own initiative – provide information in relation to the Company's latest business development to attract more attention from the market. The management of the Company regularly participates in global non-deal related roadshow activities held after the publication of annual reports and interim reports to respond to queries on the Company's growth strategies and market outlook. These measures provide overseas shareholders with an opportunity to discuss with the management of the Company;

- Arrange on-site visit and reverse roadshows – to promote investors' understanding of the Company's development by following-up the development progress of each project, arranging direct on-site visit of various projects of the Company as appropriate for investors and analysts, and enabling them to have communication with the management.

In 2013, the Company's management participated in various investors meetings held across the world and global non-deal related roadshows (including those in Hong Kong, Singapore and the US), to promote its exposure to global and Hong Kong investors. During the Year, the Company received more than 200 investors, and hosted over 100 investors to visit its project sites in Beijing, Shanghai, Changsha, Qingdao and Suzhou.

FEEDBACK FROM INVESTORS

The Company regards investors' feedback as highly important. During the Year, the Company conducted several summaries and analyses on investors' and analysts' opinions to have an understanding of the effectiveness of its investor relations function in a timely manner. The Company will further improve the communication quality based on the investors' feedback to facilitate closer communications with investors and analysts in future.

MARKET RECOGNITION AND HONOURS

In 2013, Franshion Properties' 2012 annual report performed impressively at the 27th International ARC Awards and was granted gold prize under the category of "Overall Annual Report: Real Estate Development/Service: Commercial/Industrial"; silver prize under the category of "Overall Annual Report: Real Estate Development/Service: Green Real Estate Development"; bronze prize under the category of "Overall Annual Report: Real Estate Development/Service: Residential Properties"; bronze prize under the category of "Interior Design: Real Estate Development/Service: Green Real Estate Development"; honourary prize under the category of "Interior Design: Real Estate Development/Service: Residential Properties"; bronze prize under the category of "Cover Photo/Design: Real Estate Development/Service: Commercial/Industrial"; bronze prize under the category of "Cover Photo/Design: Real Estate Development/Service: Retail/Shopping Centers"; honourary prize under the category of "Cover Photo/Design: Real Estate Development/Service: Green Real Estate Development"; and honourary prize under the category of "Cover Photo/Design: Real Estate Development/Service: Various & Multi-Use", respectively.

On 21 June, the list of 2013 Asian Management Team was announced by Institutional Investor, including the election for Best Investor Relations Professional. Franshion Properties' investor relations professional, Mr. CHENG Chau Ping (head of investor relations) was voted first in the Asian Best Investor Relations Professional under the category of real estate by sell-side analysts for the third consecutive year. On 5 December, Mr. CHENG Chau Ping was voted fourth in the Hong Kong Best Investor Relations Professional for 2013 of IR Magazine by buy-side fund managers and sell-side analysts. On 10 December, at the 2013 Corporate Award announced by The Asset, Franshion Properties again was granted the "Gold Award for Investor Relations".

The efforts of the Company's investor relations team and the information disclosure of the Company are widely recognised in the industry.

PROSPECTS OF OUR INVESTOR RELATIONS WORK

The Company will continue to aggressively strengthen its investor relations efforts to facilitate closer communications with public investors and analysts. The Company is committed to full compliance with the disclosure obligations provided in the Listing Rules and other applicable laws and regulations. In terms of compliance, we will continue to deliver to the investors all over the world the Company's latest information and to enhance the Group's corporate governance standards and transparency, with a view to gaining more trust and support from investors.

CONTACT DETAILS FOR INVESTORS:

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Fax: 852-28240300
E-mail: franshion@sinochem.com

Corporate Social Responsibility Report

BUILDING THE QUALITY OF THE CITY

Adhering to the mission of constructing green buildings and landmark models of the city and upholding the product philosophy of "Unleashing future vitality of the city", the Group has been very attentive and conscious about details concerning the quality of buildings and the living experience to maintain its high-end positioning and comprehensive services. By doing so, the Group has created a world-class living standard of diversity and quality with a view to fulfilling the dream of future habitual residence and the city.

Bearing in mind its "Customer– and quality-oriented" service philosophy, the Group develops urban landmark high-end residential complexes consisting of high-end residential properties, urban luxurious apartments, sports park and primary school, which integrate the concepts of humanity, recreation, education and moderness. By adopting the management model of 5-star hotels, the Group provides residents with efficient and quality housekeeping services, making it a world-class luxurious living environment exclusive for celebrities. The Group's first property rights hotel project, "Jin Mao Snow Mountain Whisper – Wutong", is a property right personalised micro hotel that integrates seven major themes of private unique personalities. The Group aims to develop 33 types of resort residence with a hundred personalities and adopts an open independently-operated model of free cubicle combinations where the positioning, pricing and functionality are of the choice of residents, achieving a win-win between the owners and the visitors. Meixi Lake Jin Mao Yue Project joined hands with a number of top schools in Hunan Province, introducing first-class teachers, state-of-the-art teaching facilities and an advanced management philosophy based on extensive teaching experience, securing a quality education environment for the children of the property owners.

The Group has established a quality management system. All tasks are conducted in strict compliance with the requirements of the system to provide customers with high quality property services and ensure that its quality of services satisfies customers' demand. Engineering technicians with good presentation, all-rounded skills and a strong sense of responsibility are selected for Beijing Chemsunny World Trade Centre to form a comprehensive maintenance service team so as to ensure the promptness and satisfaction of maintenance requests filed by customers. Capitalising on the opportunities arising from the municipal commercial building upgrade recently introduced, there are improvements on many aspects of the service facilities and environment of Sinochem Tower, including the addition of automatic gateway and visitor registration systems at the entrance of the building for visitors' identity and fingerprint identification. In addition to providing high quality services, the Group also provides tenants with even better and more convenient services by securing the safety of tenants' properties and enhancing the building's security.

LEADING THE ECOLOGY OF THE CITY

The Group is active in practising green property development, formulating the Group's sustainable green strategies, improving the green strategy management system, building a green team and developing green and low-carbon properties, taking the lead among its peers in the transformation towards green property development. In the course of implementing the city operations, factors such as urban functions, ecological environment and humanity culture are taken into consideration while pursuing harmonious development between architecture, man, city and nature with an aim to building a world-class and China-specific green eco-city.

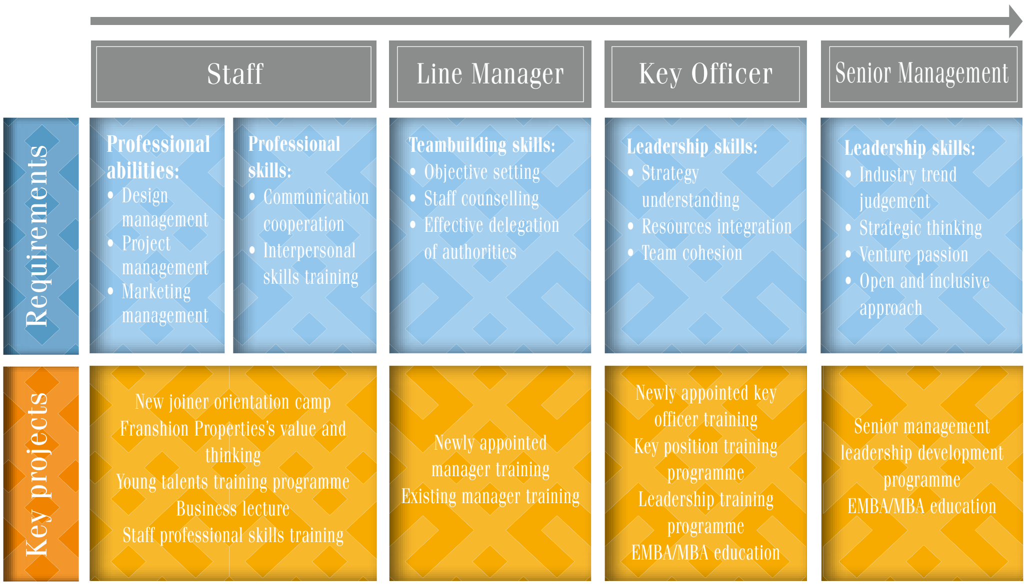
Adhering to its green concept that covers the entire processes of “Planning-Design-Technology-Construction-Operation”, the Group endeavours to develop a green ecological city that aligns with the international standard and displays the elements of China. The Group has become a member of International Green Campus Alliance in an effort to create a healthy, suitable and effective learning environment for students and teachers and build educational harmonious schools for students. Currently, construction of three green schools in Beijing, Changsha and Qingdao have been completed. The Green Centre Project of the Group is the first project in Asia granted with the British BREEAM’s green building excellence award. Beijing Chemsunny World Trade Centre Project has passed the LEED-EB platinum certification of USGBC, representing the first building in China to be granted with such an honour.

In stepping up its construction management, the Group endeavours to increase the utilisation rate of resources and reduce waste disposal to protect the ecological system and minimise its impacts on the city and the community. As to road construction, while promoting the use of renewable asphalt and reclaimed water stable materials, the Group recycles asphalt concrete wastes from removing old pavement and processes them into renewable asphalt concrete for asphalt road pavement. In addition, the Group recycles cement, concrete and brick wastes from urban renovation and processes them into reclaimed water stable materials for road foundation. More than 70% of construction wastes are recycled and reused for road building. Not only can it save materials, cost and energy, it also solves the problem of waste treatment. At the opening session of Beijing Carbon Emission Trading Market on 28 November 2013, the Group and CECEP Green Carbon (Beijing) Company (中節能綠碳(北京)公司) entered into an agreement during the session, pursuant to which the latter will purchase 1,000 tonnes carbon dioxide emission (quota) each year from Sinochem Jin Mao Property Company (中化金茂物業公司). Such purchase represents the first carbon dioxide emission transaction in the construction industry in the PRC. In addition, the Company will also cooperate with China Beijing Environment Exchange and CECEP in other green areas.

LIFTING THE VITALITY OF THE CITY

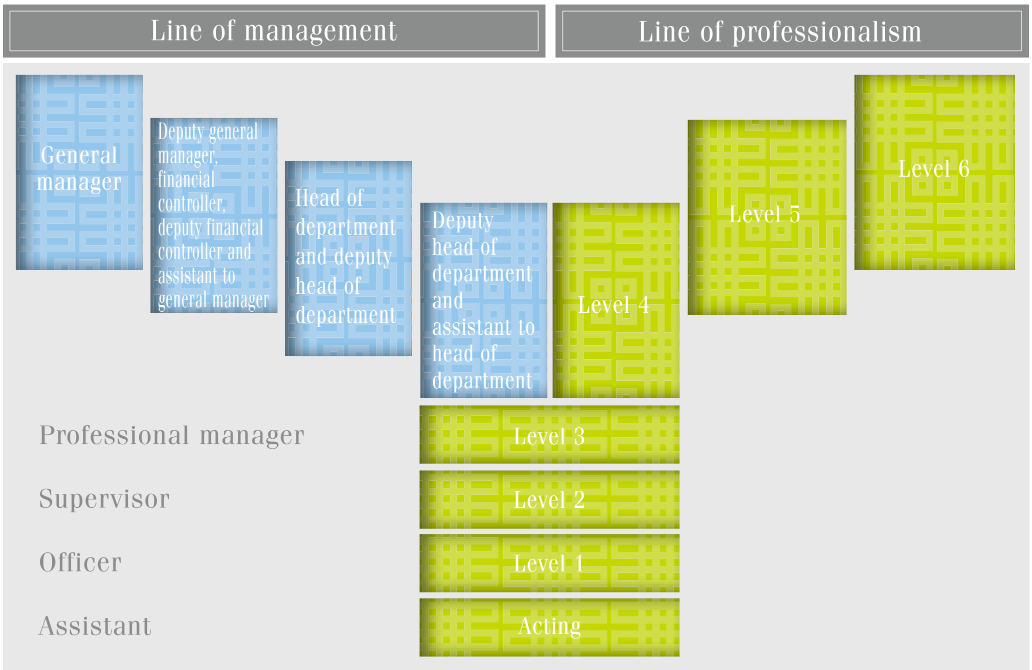
The Group embraces all employees as its most valuable asset. Its people-oriented approach, systematic management and professional services have injected vitality into its development. The Group endeavours to achieve value creation of both the enterprise and employees and build itself into a “co-innovative, co-sharing and co-development” dynamic organisation based on the people philosophy. In this regard, we create a sound working environment and offer competitive salary package and other comprehensive benefits, including retirement plan, medical insurance plan, accident insurance plan, employment insurance and housing provident fund. On 22 November 2007, the Group adopted a share option scheme, pursuant to which the Group granted a batch of share options on 5 May 2008 and 28 November 2012, respectively with the purpose of strengthening the commitment of the participants towards the Group and motivating them to achieve the objectives of the Group. The Group will regularly review the remuneration level of the Group based on market standards.

The Group promotes a "70-20-10" personnel training model, and a training system for all employees is initially formed where leaders, key officers, core staff and young talents are subject to hierarchical promotion and orderly succession. During the Year, nine orientation camp sessions were held to provide training to 429 new employees, while six lecture sessions covering strategic planning, analysis of annual report and green strategies were held. The "three personnel training bases" (三大人才培養基地) have its unique training systems, providing 29.68 training hours, 24 shifts and 15 talent transfers on average each year. During the Year, 59 key officers were promoted, whereas 27 out of 76 young talents were promoted to core staff or key officers, and 20 professionals were eligible for promotion.



Training System

To expand the channels for employees' career development, the Group has established a two-way development mechanism to formulate 15 professional categories including design, engineering, marketing, finance, audit, human resources, cost & procurement, strategic operations, investment, legal, party discipline inspection, information technology, health safety & environment, administration, customer services. The Group has completed the formulation of professional qualification standards for design and cost & procurement, and has carried out a professional assessment for design two years in a row as well as completed the first round assessment for legal, HSE and finance. Eleven and two design staff have attained level 4 and level 5 qualifications, respectively. As the professional capabilities of employees are enhanced, an environment for staff development is established.



❖ PERSONNEL DEVELOPMENT ❖

The Group pushes ahead its corporate culture development. Through organising 12 corporate culture trainings, publishing the "Value and Thinking of Franshion Properties" (《方興地產價值思維》) and formulating the "Guidelines on Franshion Properties' Corporate Culture Promotional Logo" (《方興地產企業文化宣傳標識指導意見》) to standardise the corporate culture logo of various project companies, and to regulate the promotion and marketing of corporate culture. Media like Run (《潤》), OA Party World (OA黨群天地) and poster publicity have also been fully utilised to promote the core values of Sinochem's corporate culture. Events with distinct themes which facilitate interaction between staff, subordinates and superiors and call for active participation were held to enrich the spirit of Sinochem's corporate culture and maximise the cohesion of the team.

EXTENDING THE BLESSING OF THE CITY

The Group views itself as part of the city and relate its development to urban development in all aspects. While taking the lead in development, the Group endeavours to grow with the city and flourish with the community as a model corporate citizen to pay back to society.

The Group attaches great importance to building a relationship of mutual trust and benefits with its business partners, and stresses on developing a more effective and professional strategic working model with its business partners. The Group organised a global supplier conference themed "Strategic development towards success through cooperation", introducing the Company's growth strategies, future plans and supplier management evaluation system to approximately 300 representatives of quality suppliers and strategic suppliers, and recognising the efforts of quality suppliers. The Group has further consolidated its cooperation with the suppliers, and enabled the communication and idea exchange between its business partners and its senior management.

The Group actively explores ideas for personnel training and innovation to achieve multi-win goals in corporate development, personnel training and industry development. The Group has organised the National University Real Estate Planning Contest – Franshion Cup for many years in a row with an aim to stimulate the imagination and creativity of university students and generate "Green Power" for the sustainable development of the real estate industry.

The Group inherits good virtues of corporate citizenship and actively participates in social welfare activities. Through optimising the system for organising charitable events and introducing innovative event formats, employee participation has been on the rise. Profound collaboration with NGOs and community organisations utilises various strengths of the parties to jointly organise the events, thus achieving optimisation of resource allocation. The Group's Changsha division joined hands with Wispring Education Development Foundation and organised Wispring Student Charity Walk (弘慧學子圓夢行), inviting more than 150 outstanding scholarship students from Yuanling, Tongdao, Xupu, Shimen and Taoyuan in Hunan Province to visit the Landscape Island City (山水洲城) in the Meixi Lake area. The Wispring Student Friendly Basketball Match – Franshion Cup was also held. Through these events, the Group endeavours to help poor students complete their studies and achieve life goals.

Profile of Directors and Senior Management

Mr. HE Cao

Ms. LI Xuehua

Mr. YANG Lin

Ms. SHI Dai

Mr. LI Congrui

Mr. HE Binwu

Mr. LAU Hon Chuen, Ambrose

Mr. SU Xijia

Mr. LIU Hongyu

DIRECTORS

Mr. HE Cao

Chairman and executive Director

Mr. HE, who was born in September 1955, joined the Company in February 2009, and served as the Chairman and non-executive Director of the Company until 17 September 2009. He was re-designated as the Vice Chairman, executive Director and Chief Executive Officer of the Company from 18 September 2009 to 15 January 2013. He has been the Chairman and executive Director of the Company since 16 January 2013. Mr. HE also holds positions in a number of subsidiaries of the Company. Mr. HE joined Sinochem Group in 1979 and had held a number of senior positions in finance management, business management and investment enterprises of Sinochem Group before he was appointed as the assistant president in 2002. Since 2013, he has been entitled to the benefits for vice president of Sinochem Group. Since 2002, Mr. HE has been the president, vice chairman and chairman of the board of directors of China Jin Mao (Group) Company Limited, successfully operating Shanghai Jin Mao Tower and grasping the development opportunities in the industry. Mr. HE has led the investment, acquisition and development of luxurious five-star hotels and properties in a host of first-tier cities and premium resorts. Through the establishment of strategic partnership with internationally-renowned hotel management agencies, Mr. HE has developed Jin Mao Group into a prestigious high-end commercial real estate developer and operator in China. Upon joining the Company, Mr. HE has successively completed the investment layout in popular regions including Beijing, Shanghai, Changsha, Qingdao, Chongqing, Sanya, Suzhou, Ningbo, Lijiang, Nanjing, Hangzhou and Guangzhou with total land reserves exceeding 20 million square metres. Mr. HE has over 20 years of experience in corporate governance, hotel and property leasing, real estate development and operation. Mr. HE graduated from Jilin Finance and Trade College in 1979 and the Economics Department of Renmin University of China in 1986. He completed his postgraduate studies majoring in politics and economy at Jilin University in 1995. Mr. HE obtained an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2004. Mr. HE was awarded with the title of senior economist in 2010. Mr. HE was appointed as the co-chairman of Alliance of China Hotels Owners under China Tourist Hotel Association in 2009 and was appointed as the vice president of Real Estate Chamber of Commerce of National Federation of Industry and Commerce in 2010. In addition, Mr. HE was appointed as the vice chairman of Shanghai Enterprises Association, the deputy director of the Housing Policy and Market Regulation and Study Professional Committee of the Chinese Society for Urban Studies, and a member of the Green Building and Energy Saving Professional Committee of the Chinese Society for Urban Studies. Mr. HE was a delegate of the 12th and 13th session of the People's Congress of Shanghai Municipality from 2003 to 2012. He was awarded as the Model Worker of Shanghai in 2007.

Ms. LI Xuehua

Vice Chairman and non-executive Director

Ms. LI, who was born in January 1958, joined the Company in December 2005 and served as an executive Director and Chief Executive Officer of the Company and a director of a number of its subsidiaries until 17 September 2009. Since 18 September 2009, Ms. LI has been the Vice Chairman and non-executive Director of the Company and has ceased to act as a director of the subsidiaries of the Company. Currently, Ms. LI is the general manager of Sinochem Hong Kong (Group) Co., Ltd. She joined Sinochem Group in October 2004 as the deputy general manager of Sinochem Kingsway Capital Inc., and was the executive director of Sinochem Kingsway Asset Management Limited. She was also a director of Sino-Ocean Land Holdings Limited from July 2006 to March 2007. Prior to joining Sinochem Group, Ms. LI had held various senior financial management positions in China National Machinery Import and Export Corporation. Ms. LI has over 20 years of experience in corporate finance management. Ms. LI earned a diploma certificate from Jingqiao University of China in 1987 and a master's degree from University of International Business and Economics in 1997. She was awarded with the title of senior economist in 2010.

Mr. YANG Lin

Non-executive Director

Mr. YANG, who was born in January 1964, joined the Company in February 2014, and serves as non-executive Director. Mr. YANG joined Sinochem Group in 1994 and had held various positions, including deputy general manager of the finance and accounting department, general manager of the finance department, deputy general manager of the investment and development department, general manager of the fund management department, deputy chief financial officer of Sinochem Group, and deputy chief financial officer of Sinochem Corporation. Mr. YANG is currently the chief financial officer of Sinochem Group and the chief financial officer of Sinochem Corporation. He also holds directorships and senior management positions with various subsidiaries and/or affiliates of Sinochem Group. Mr. YANG was a supervisor of China State Construction Engineering Corporation Limited, a company listed on the Shanghai Stock Exchange (stock code: 601668), from 2007 to 2010. Since October 2009, Mr. YANG has been a non-executive director of Far East Horizon Limited (in which Sinochem Group is a substantial shareholder (stock code: 03360)). Mr. YANG has been a director of Sinochem International Corporation, a subsidiary of Sinochem Group listed on the Shanghai Stock Exchange (stock code: 600500) since June 2010. Mr. YANG has been a non-executive director of Sinofert Holdings Limited (stock code: 00297), a subsidiary of Sinochem Group since August 2010. Mr. YANG has over ten years' experience in fund management. Mr. YANG worked at Siemens AG and Wella AG from 1993 to 1994. Mr. YANG graduated from Tianjin University of Commerce with a bachelor's degree in economics majoring in commercial enterprise management in 1985. He pursued a study of enterprise management in University of Stuttgart in Germany from 1990 to 1993.

Ms. SHI Dai

Non-executive Director

Ms. SHI, who was born in September 1967, has been the non-executive Director of the Company since 16 January 2013. Ms. SHI joined Sinochem Group in 1994. She had held various senior management positions, including the division manager of the risk management department, deputy general manager of Xi'an Jinzhu Modern Chemicals Co., Ltd. (西安金珠近代化工有限公司), deputy general manager of the investment department, deputy general manager of the human resources department, the director of the Communist Party office, the deputy party secretary and the chairman of the labour union of Sinochem Group, and the director of Far East Horizon Limited. Ms. SHI has been serving as an employee director of Sinochem Corporation since 2012. Since 2013, she has been serving as the general manager of the human resources department of Sinochem Group and the director of Sinochem International Co., Ltd. Ms. SHI has over 10 years of experience in human resource management and corporate operation and management. Ms. SHI has obtained a bachelor's degree in refrigeration and cryogenic technology from Shanghai Jiao Tong University in 1990, a bachelor's degree in International Trade from University of International Business and Economics in 1994 and an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2010.

Mr. LI Congrui

Executive Director and Chief Executive Officer

Mr. LI, who was born in March 1971, has been the Vice President of the Company since April 2009 and the executive Director of the Company since June 2011. Mr. LI has been serving as the executive Director and Chief Executive Officer of the Company since January 2013. Mr. LI also holds positions in a number of subsidiaries of the Company, including chairman of Sinochem Franshion Properties (Beijing) Co., Ltd. and director of Beijing Franshion Sunac Real Estate Development Co., Ltd. (北京方興融創房地產開發有限公司). Mr. LI joined Sinochem Group in 1997, and had held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. From 2003 and prior to joining the Company, Mr. LI was the director and the general manager of Zhoushan State Oil Reserve Base Company Limited (舟山國家石油儲備基地有限責任公司). Mr. LI has over 10 years of experience in strategy management, corporate governance, organisational construction, appraisal and analysis on project investment, project management and large project construction. Mr. LI obtained a bachelor's degree in petroleum geology and exploration from the Petroleum Department of China University of Geosciences (Wuhan) in 1994. He earned a master's degree in Petroleum Development from the Research Institute of Petroleum Exploration & Development in 1997 and an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2007. Mr. LI was elected as a member of the second session committee of State-Owned Enterprise Youth Federation in 2010.

Mr. HE Binwu

Executive Director and Vice President

Mr. HE, who was born in November 1948, has been the executive Director and the Vice President of the Company since June 2004 (date of incorporation of the Company). He has served as the director and deputy general manager of Franshion Company Limited since 1987. Currently, he is the managing director of Shanghai Port International Cruise Terminal Development Co., Ltd., Shanghai International Shipping Service Center Development Co., Ltd., Shanghai Yin Hui Real Estate Development Co., Ltd. and Shanghai Star Bund Development and Construction Co., Ltd. (上海星外灘開發建設有限公司). Mr. HE has over 20 years of experience in the real estate development. While successfully capturing the growth opportunities of the real estate industry in China, closely monitoring the economic development and urban development strategies as well as studying the internationally leading development concepts, he spearheaded the planning, investment, design and development of a number of major urban projects. He was honoured with the Shanghai Municipal Key Construction Projects Special Contributor's Award for 2006, 2007, 2009, 2010, 2011 and 2012. Mr. HE earned a diploma certificate from Shanghai Jiao Tong University in 1976. Mr. HE has been consecutively appointed as "Sinochem Senior Expert" by Sinochem Group since 2008. He was accredited as the "Venture Model" of Sinochem Group.

Mr. LAU Hon Chuen, Ambrose

Independent non-executive Director, G.B.S., J.P.

Mr. LAU, who was born in July 1947, has been an independent non-executive Director of the Company since March 2007. He is a senior partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. LAU is currently a standing committee member of the National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. LAU was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. LAU is currently an independent non-executive director of the following listed companies: Brightoil Petroleum (Holdings) Limited, Glorious Sun Enterprises Ltd., Yuexiu Property Co., Ltd., Yuexiu Transport Infrastructure Limited, COFCO Land Holdings Limited (formerly known as The Hong Kong Parkview Group Ltd.), Wing Hang Bank, Ltd. and The People's Insurance Company (Group) of China Limited. He served as an independent non-executive director of Beijing Enterprises Holdings Limited between 1997 and 2008; an independent non-executive director of Qin Jia Yuan Media Services Co., Ltd. between 2003 to 2012. He is also the director of Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co. Ltd., Nanyang Commercial Bank, Ltd., Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., and Wytex Ltd. Mr. LAU also served as the chairman of the Central and Western District Board between 1988 and 1994, the president of the Law Society of Hong Kong from 1992 to 1993, the member of the Bilingual Laws Advisory Committee between 1988 and 1997 and the member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). Mr. LAU obtained a Bachelor of Laws degree from the University of London in 1969 and is a solicitor of the High Court of Hong Kong, an attesting officer appointed by Ministry of Justice, the PRC and a notary public.

Mr. SU Xijia
Independent non-executive Director

Mr. SU, who was born in September 1954, has been an independent non-executive Director of the Company since March 2007. He was an assistant professor in 1996 and was subsequently promoted as an associate professor in the Department of Accountancy of City University of Hong Kong. He joined China Europe International Business School (CEIBS) in July 2010. Currently, he is a professor of accounting in CEIBS. His research focuses on corporate governance and auditing practices of the PRC listed companies. He has also been appointed as the special investigator by the CICPA since 2005. He has given lectures at China Securities Regulatory Commission, Shanghai Stock Exchange, Shenzhen Stock Exchange, major commercial banks and various universities in China. He was an independent director of Shenzhen SEG Co., Ltd and Shenzhen Topray Solar Co., Ltd. for the period from 2002 to 2008, and from 2007 to 2010, respectively. He was an independent director of World Union Property Consultancy (China) Limited from 2007 to 2013, and an independent director of Huazhong Holdings Company Limited from 2011 to 2013. He currently serves as an independent director of Sundy Land Investment Co., Ltd. Mr. SU has over 20 years of experience in corporate governance and accounting practice. Mr. SU earned a bachelor's degree and a master's degree in accounting from Xiamen University in 1982 and 1987, respectively. He obtained his PhD degree from Concordia University of Canada in 1996.

Mr. LIU Hongyu
Independent non-executive Director

Mr. LIU, who was born in October 1962, has been an independent non-executive Director of the Company since March 2007. He was a professor in the Department of Civil Engineering of Tsinghua University from June 1996 to April 2000, and since April 2000, he has been a professor in the Department of Construction Management of Tsinghua University. Since 1996, he has also been the director of the Institute of Real Estate Studies of Tsinghua University. Since 2010, he has been the supervisor of Hang Lung Centre for Real Estate, Tsinghua University. His research focuses on real estate economics, real estate investment and finance, housing policies and land management. From April 2006 to March 2012, Mr. LIU served as an independent director of COFCO Property (Group) Co., Ltd. From 2002 to 2009, he was an independent director of Beijing Shoukai Holdings Co., Ltd. From 2002 to 2008, he was an independent director of China Merchants Property Development Co., Ltd. Since December 2011, Mr. LIU has been re-appointed as an independent director of China Merchants Property Development Co., Ltd. Since May 2013, he has been appointed as an independent non-executive director of Country Garden Holdings Company Limited. He is a vice chairman of the China Institute of Real Estate Appraisers and Agents and a director of Asian Real Estate Society. He is also an honourary professor of the University of Hong Kong and a senior fellow of the Royal Institution of Chartered Surveyors of the United Kingdom. He has over 25 years of experience in real estate industry and construction engineering. Mr. LIU earned a bachelor's degree in structural engineering and a master's degree in management engineering from Tsinghua University in 1985 and 1988, respectively. He is also a qualified real estate appraiser in the PRC.

Profile of Directors and Senior Management


Mr. ZHANG Hui


Ms. LAN Haiqing


Mr. JIANG Nan


Mr. GAI Jiangao


Mr. ZHANG Zhichao


Mr. CUI Wei


Mr. SONG Liuyi


Ms. REN Yanhua


Mr. LIU Feng


Mr. LIAO Chi Chiun

OTHER SENIOR MANAGEMENT

Mr. ZHANG Hui

Mr. ZHANG, who was born in October 1970, has been a Vice President of the Company since January 2010, as well as the general manager of China Jin Mao Group Co., Ltd. Mr. ZHANG joined Sinochem Group in 2002 and had held a number of senior positions in Shanghai Orient Terminal Co., Ltd. Prior to joining Sinochem Group, Mr. ZHANG worked in Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has approximately 15 years of experience in large project development, planning, analysis and assessment of project investment, management of project construction and business operation and management. Mr. ZHANG graduated from China University of Geosciences with a bachelor's degree in reservoir engineering in 1995 and obtained an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2008. He was honoured the title of senior economist in 2011.

Ms. LAN Haiqing

Ms. LAN, who was born in July 1966, has been a Vice President of the Company since December 2007. Ms. LAN served as the general manager of Sinochem Qingdao Golden Beach Hotel from May 1997 to March 2002, the general manager and chairman of Wangfujing Hotel Management Co., Ltd. between March 2002 to July 2012, and the general manager of Franshion Qingdao from 2010 to January 2014. She is currently the chairman of Sinochem International Property and Hotel Management Ltd. Ms. LAN has over 20 years of hotel management experience and has accumulated extensive experience in the appraisal and analysis of investments, product positioning and project operational management of real estate complex projects. Ms. LAN graduated from Ocean University of China and Shandong University (EMBA) in 1988 and 1998, respectively, and obtained a master's degree from Les Roches School of Hospitality Management in Switzerland in June 2000.

Mr. JIANG Nan

Mr. JIANG, who was born in April 1973, joined the Company in January 2006 as the Chief Financial Officer and has been involved in the day-to-day management of the Company since then. He served as an executive Director of the Company from 2007 to 2011. He is in charge of the Company's accounting and financing, capital market, investor relations, cost contracts, strategy and budget assessment. He joined Sinochem Group in August 1995 and worked in the Finance Department of Sinochem Group from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006, responsible for handling the financial management and investment projects and operation of the overseas funds of Sinochem Group. Mr. JIANG has approximately 20 years of experience in corporate finance and accounting management. Mr. JIANG earned a bachelor's degree in finance from China Institute of Finance in 1995 and a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999 and is now a member of the Association of International Accountants (AIA).

Mr. GAI Jiangao

Mr. GAI, who was born in November 1974, has been a Vice President of the Company since January 2007 and the General Counsel of the Company since October 2011. Mr. GAI joined Sinochem Group in July 2000, in charge of litigation matters and legal matters in real estate industry, and served as the deputy general manager of the Legal Department from 2005 to January 2007. Prior to joining Sinochem Group, he worked in Rong Bao Zhai, responsible for risk control and auction of artistic products from July 1997 to June 2000. He has over 10 years of experience in corporate legal affairs. Mr. GAI earned a Bachelor of Laws degree from the Capital University of Economics and Business in 1997. He obtained an executive master's degree in business administration from Guanghua School of Management, Peking University in 2010. He qualified as a PRC lawyer in March 2000, as in-house legal counsel in January 2003, respectively, and has been an associated member of Hong Kong Institute of Chartered Secretaries since July 2008.

Profile of Directors and Senior Management

Mr. ZHANG Zhichao

Mr. ZHANG, who was born in October 1962, joined the Company in October 2009 as Assistant President and has been a Vice President of the Company since November 2011. Mr. ZHANG joined China Jin Mao (Group) Co., Ltd. in September 2000 and held various positions including deputy general manager of the Corporate Planning Department, general manager of the Investment Management Department and general manager of the Construction Technology Department and later he was re-designated as general manager of the Investment Development Department of the Company. Mr. ZHANG was mainly responsible for the development and construction of a number of hotel projects. Currently, Mr. ZHANG serves as the general manager for Changsha Region of the Company, primarily responsible for the development and operation of Changsha Meixi Lake Project. Mr. ZHANG is also in charge of the product research and development and quality control of the construction projects of the Company. Prior to joining China Jin Mao (Group) Co., Ltd., Mr. ZHANG served as an engineer of Shanghai Railway Research Institute and general manager of China Nonferrous Metals East China (Hainan) Company (中國有色金屬華東(海南)公司). Mr. ZHANG has extensive management and practical experience in real estate investment analysis, management and construction technology. He graduated from Beijing Institute of Iron and Steel Engineering with a bachelor's degree in metal physics in 1984 and obtained a postgraduate degree in technology economics and management from Tongji University in 1999. In July 2005, he earned an executive master's degree in Business Administration from China Europe International Business School (CEIBS).

Mr. CUI Wei

Mr. CUI, who was born in November 1972, joined the Company as Assistant President in September 2009 and has been the Vice President of the Company since November 2011. Since 1995, Mr. CUI has successively worked at Beijing Municipal Commission of Housing and Urban-Rural Development Office and Mafang New Town Real Estate Development Office for more than 10 years, mainly responsible for the primary and secondary development and construction of a number of large-scale projects including the Beijing Nanchizi Historical Street Area, Xihongmen and Mafang New City. Mr. CUI has accumulated intensive experience in land consolidation, project operation, policy analysis and investment decision-making. Mr. CUI graduated from Harbin University of Science and Technology with a bachelor's degree in thermal energy engineering in 1993 and obtained a master's degree from the Institute of Real Estate Studies from Tsinghua University in 2003. In 2009, he earned a doctorate in real estate operation and management from Renmin University of China. Mr. CUI was enlisted in the "Quality Talent Training Programme" organised by the municipal government of Beijing and had been a visiting scholar focusing on real estate economics studies at University of Denver in the US from 2006 to 2007. In 2013, Mr. CUI was appointed as the expert in real estate tender procedures by the Municipal Government of Beijing.

Mr. SONG Liuyi

Mr. SONG, who was born in November 1975, joined the Company as Assistant President of the Company in May 2011 and has been the Vice President of the Company since January 2013. Mr. SONG joined Sinochem Group in 2001, worked at the investment business department of Sinochem International Company Limited, investment department of Sinochem Group and president office of Sinochem Group, and has been the assistant to the head of president office of Sinochem Group. Mr. SONG obtained a bachelor's degree in high polymer materials and processing from the Beijing Institute of Technology in 1998 and a master's degree in materials from the Beijing Institute of Technology in 2001, respectively.

Ms. REN Yanhua

Ms. REN, who was born in June 1972, has been a Vice President of the Company since August 2013. Ms. REN joined China Jin Mao (Group) Co., Ltd. in 2003 and served as the deputy general manager in 2011. Since 2003, Ms. REN had held the positions of general manager of the commercial development department of the Company, general manager of Jin Mao (Sanya) Tourism Co., Ltd., general manager of Jin Mao Beijing Real Estate Co., Ltd. and general manager of Jin Mao Sanya Resort Co., Ltd. (金茂三亞度假有限公司), as well as the owner's representative of Westin Beijing, Chaoyang, The Ritz-Carlton, Sanya, Hilton Sanya Resort & Spa and Grand Hyatt Shanghai. Ms. REN has extensive and innovative management experience in hotel and retail business development and operation. She has been successively accredited as Mall China Professional Elite (中購聯職業精英) and March 8 Red Banner Holder in Shanghai (上海市三八紅旗手). Ms. REN graduated from Heilongjiang University with a degree in applied arts and obtained an EMBA degree from Fudan University in 2009.

Mr. LIU Feng

Mr. LIU, who was born in April 1969, has been a Vice President of the Company since August 2013. Mr. LIU joined China Jin Mao (Group) Co., Ltd. in July 2000 and had held a number of senior positions including secretary to the president office, deputy general manager of the investment management department, general manager of the operational management department, chief operation officer and deputy general manager. During such period, Mr. LIU also served as the owner's representative of Hilton Sanya Resort & Spa, The Ritz-Carlton, Sanya and JW Marriot Shenzhen under Jin Mao Group. Prior to the year 2000, Mr. LIU was the assistant translator in No.59322 Troop of People's Liberation Army and legal assistant at Fudan Law Office. Mr. LIU has been general manager of Sanya Yazhouwan Economic Development Co., Ltd. since May 2012 and responsible for the Company's development projects in Lijiang since January 2014. Mr. LIU graduated from Fudan University with a bachelor's degree in International Politics in July 1992 and a master's degree in International Relations in July 1997. In 2003, he earned a master's degree in legal studies from the University of Connecticut.

Mr. LIAO Chi Chiun

Mr. LIAO, who was born in January 1968, has been the Chief Accountant of the Company, Qualified Accountant and Company Secretary since March 2007. Before joining the Company, he served as an accountant of S E A Holdings Ltd between 1997 and 2006. He has over 10 years of experience in Hong Kong and PRC accounting practice relating to property leasing and development. Mr. LIAO earned a BA (Hons) degree in Accounting from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE

Since its establishment, the Company has committed to enhancing its corporate governance levels. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except for described below, and most of the recommended best practices set out in the Corporate Governance Code in Appendix 14 of the Listing Rules. The Company will continue to improve its corporate governance practices focusing on maintenance and enhancement of a quality board, sound internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintain its long-term healthy and sustainable development and is vital for the interests of its shareholders.

Code provision A.4.2 of the Corporate Governance Code stipulates that a Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a Director may be elected by the shareholders at the first annual general meeting after the appointment. There is minor difference between the practices of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the Directors who fill casual vacancy will not affect adversely the normal operations of the Company.

In 2013, the Company complied with all provisions of its own code on corporate governance.

BOARD OF DIRECTORS

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management. In order to fulfill its responsibilities, the Board has established and adhered to explicit operating policies and procedures, reporting hierarchy and delegated authority. The management is authorised to handle the daily operation of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and control of the Group's assets, liabilities, revenues and expenditures as well as proposing changes in areas critical to the Group's performance;

- strategic capital investments and new projects – through stringent project review and approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;

- financial and operational performance – through overall strategic planning as well as the implementation and maintenance of the monitoring system for financial and optimised performance management;

- management of relationship with stakeholders of the Company – through frequent communication with partners, governments, customers and other parties who have legal interests in the business of the Company;

- risk management – through continuous review of the reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company; and

- corporate governance – through formulation and review of the Company's corporate governance policies and practices; review and monitoring of the training and continuous professional development of Directors and senior management; review and monitoring of the Company's policies and practices in compliance with the laws and regulatory requirements; as well as review of the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

With respect to Board diversity, the Directors of the Company have different professional backgrounds, providing professional advice to the Company in their respective area of expertise. As of the date of this report, the Board consisted of the following 9 Directors:

Non-executive Directors

Ms. LI Xuehua (Vice Chairman)
Mr. YANG Lin
Ms. SHI Dai

Executive Directors

Mr. HE Cao (Chairman)
Mr. LI Congrui (Chief Executive Officer)
Mr. HE Binwu (Vice President)

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. LIU Hongyu

Mr. LUO Dongjiang and Mr. LI Xin resigned as the Directors of the Company and members of relevant special committees with effect from 16 January 2013 due to their other business commitments which require more of their dedications, and they both confirmed that they had no disagreement with the Board and that there were no matters relating to their resignation that need to be brought to the attention of the shareholders.

Mr. HE Cao was re-elected as the Director of the Company at the annual general meeting held on 14 June 2012. He resigned as the Chief Executive Officer of the Company and was re-designated as the Chairman and executive Director of the Company with effect from 16 January 2013. **Mr. LI Congrui** resigned as the Vice President of the Company and was re-designated as the executive Director and Chief Executive Officer with effect from 16 January 2013.

Ms. SHI Dai was appointed as the non-executive Director of the Company and the member of the Remuneration and Nomination Committee on 16 January 2013. She was elected as the non-executive Director of the Company at the annual general meeting of the Company held on 13 June 2013.

Mr. YANG Lin was appointed as the non-executive Director of the Company and the member of the Audit Committee on 26 February 2014. Pursuant to the Articles of Association, Mr. YANG Lin will be subject to election by shareholders at the forthcoming annual general meeting.

As at the date of this report, the composition of the special committees under the Board of the Company is as follows (of which Mr. YANG Lin has joined the Board of the Company and the Audit Committee since 26 February 2014):

Audit Committee: Mr. SU Xijia (Chairman), Ms. LI Xuehua, Mr. YANG Lin and Mr. LIU Hongyu;

Remuneration and Nomination Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Ms. SHI Dai and Mr. SU Xijia;

Strategy and Investment Committee: Mr. HE Cao (Chairman), Mr. LI Congrui, Mr. HE Binwu and Mr. LIU Hongyu;

Independent Board Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. SU Xijia and Mr. LIU Hongyu.

Save as disclosed above, there were no other changes of Directors of the Company during the Period under Review and as at the date of this report.

Biographical details of the Directors are set out on pages 112 to 117 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance coverage in respect of legal actions against its Directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfil their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are independent from the Company's daily management but they provide the Company with a wide range of expertise and experience. Their participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interest and management procedures, to ensure adequate checks and balances are provided and the interests of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to safeguard the interests of shareholders, other related parties and the Group.

The Company has three independent non-executive Directors in compliance with the requirements under the Listing Rules that the number of independent non-executive Directors shall account for at least one-third of the members of the Board and at least one of them shall have appropriate financial management expertise. Each independent non-executive Director has confirmed his independence to the Company, and the Company is of the view that these Directors are independent of the Company under the guidelines set out in Rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors have free access to the management for enquiries and to obtain further information when required. All Directors and Board committees also have recourse to external legal counsels and other professionals for independent advice at the Company's expense as and when the need arises.

The Directors actively participate in continuous professional development, develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant. During the Period under Review, all of the Directors participated in various trainings organised by the Company, including the "Latest Developments on Inside Information Disclosure Laws for Listed Companies in Hong Kong" and the "New Director Mentoring". Each of the Directors also participated in a number of external trainings, seminars and conferences, where Chairman HE Cao participated in the "9th International Conference on Green and Energy-Efficient Buildings cum New Technology and Product Expo" (第九屆國際綠色建築與建築節能大會暨新技術與產品博覽會) and the "Real Estate Green Strategy Practice and Transformation in China" (中國房地產綠色戰略實踐與轉

型); Ms. SHI Dai participated in the "Seminar on Shaping Outstanding Leaders" (塑造傑出領導力研討會) and the training on performance of duties by directors of listed companies organised by Shanghai Stock Exchange; Mr. LAU Hon Chuen, Ambrose participated in meetings and trainings including "The Impact of Basel III on Medium-Size Local Bank", "Study on the Disclosure of Inside Information by Listed Corporations", "Disclosure of Inside Information by Listed Companies and Board Diversity", "Corporate Governance Programme for Directors of AIs", "Overseas Listing Platform for the PRC Property Developers" and "Essential Issues on Trust Planning"; Mr. LIU Hongyu participated in the meetings and trainings including the "AsRES International Conference", "2013 Annual Conference of the Global Chinese Real Estate Congress" and "Inside Information and Model Code for Securities Transactions by Directors of Listed Companies".

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company always makes proper arrangements to give all Directors the opportunity to present matters for discussion in the agenda of each Board meeting. All Directors are given an agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from the consent obtained through circulation of three written resolutions to all Board members, during the Period under Review, the Board held 5 meetings, at which the Directors considered and approved significant matters, including the 2012 annual results report and the 2013 interim results report of the Company, the mandate for issue offshore financing loans and notes, the change of Directors' duties and new appointment of Directors and senior management, the continuing connected transactions contemplated under two entrustment loan framework agreements. Attendance of each Director at such Board meetings during 2013 is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Non-executive Director	Mr. LUO Dongjiang*	0/0	0	0%
Non-executive Director	Ms. LI Xuehua	4/5	1	80%
Non-executive Director	Mr. LI Xin*	0/0	0	0%
Non-executive Director	Ms. SHI Dai*	3/4	1	75%
Executive Director	Mr. HE Cao	5/5	0	100%
Executive Director	Mr. LI Congrui	4/5	1	80%
Executive Director	Mr. HE Binwu	5/5	0	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	5/5	0	100%
Independent non-executive Director	Mr. SU Xijia	5/5	0	100%
Independent non-executive Director	Mr. LIU Hongyu	4/5	1	80%

* Mr. LUO Dongjiang and Mr. LI Xin ceased to be a Director of the Company with effect from 16 January 2013. Ms. SHI Dai was appointed as a non-executive Director of the Company by the Board with effect from 16 January 2013.

The Directors are given clear information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services from the company secretary to ensure compliance with all procedures of the Board meetings. The company secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with the requirements by the Directors, and to maintain good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. LUO Dongjiang was appointed as a non-executive Director and the Chairman of the Company on 18 September 2009 and resigned with effect from 16 January 2013. **Mr. HE Cao** was appointed as a non-executive Director and the Chairman of the Company on 13 February 2009 and resigned on 17 September 2009. He was appointed as an executive Director, Vice Chairman and Chief Executive Officer of the Company on 18 September 2009, and resigned as the Chief Executive Officer and was re-designated as an executive Director and the Chairman of the Company on 16 January 2013. **Mr. LI Congrui** was appointed as the Vice President of the Company in April 2009 and as an executive Director of the Company on 17 June 2011. He resigned as the Vice President of the Company and was re-designated as an executive Director and the Chief Executive Officer on 16 January 2013.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balanced distribution of power and authority. The Chairman of the Company is responsible for managing and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. The Chairman of the Company also makes effective plans for Board meetings and ensures that the Board acts in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is responsible for the daily operation of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. The Chief Executive Officer also advises the Board on any significant developments and issues.

RULES FOR NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS AND BOARD DIVERSITY

The Company has a set of formal, prudent and transparent procedures for the appointment and succession of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period from the date of despatch of the notice of the general meeting to 7 days before the date of such general meeting. The Remuneration and Nomination Committee of the Company may also provide advice to the Board in respect of the nomination. Qualifications and competence of the nominees should be taken into consideration during nomination.

To achieve sustainable and balanced development, the Company considers that having a diversified Board is crucial to fulfill its strategic objectives and achieve sustainable development. In determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of factors. 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. The selection of candidates by the Company is based on a number of criteria on diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. During the reporting period, the Remuneration and Nomination Committee made recommendations to the Board with respect to the appointment of Directors having due regard of the above diversity requirements. For future appointment and re-appointment, the Remuneration and Nomination Committee will also make recommendations to the Board with respect to the appointment of Directors according to the diversity policy of the Company so as to achieve Board diversity.

RESPONSIBILITIES OF DIRECTORS

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company. Non-executive Directors have the same duties of care and skills as executive Directors.

The non-executive Directors of the Company have sufficient experience and talent and fully participate in the Board to fulfil the functions specified in the provisions A.6.2(a) to (d) of the Corporate Governance Code.

RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of financial statements of each financial year, which give a true and fair view of the operating results and financial status of the Company. In preparing the financial statements, the Directors of the Company have selected and applied appropriate accounting policies, and have made prudent and reasonable judgments.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on page 158.

THE BOARD COMMITTEES

In order to review the specific matters, the Company has established four Board Committees, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy and Investment Committee.

REMUNERATION AND NOMINATION COMMITTEE

As at the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose (independent non-executive Director), Ms. SHI Dai (non-executive Director) and Mr. SU Xijia (independent non-executive Director). The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose.

The functions of the Remuneration and Nomination Committee include:

– to review the size and composition of the Board at least annually based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to examine the standards and procedures for election of candidates for Directors and senior management and make recommendations; review the qualifications and abilities of candidates for directorship and management and make recommendations;

– to assess the independence of independent non-executive Directors;

– to make recommendations to the Board on the remuneration policies, share option scheme and structure for Directors and senior management and on the establishment of formal and transparent procedures for developing such policies; and

– to determine, with delegated responsibility, the remuneration packages of all executive Directors and senior management; to review and approve the management's remuneration proposals with reference to the Board's corporate strategies, policies and objectives; and make recommendations in respect of the remuneration of the non-executive Directors to the Board.

The Remuneration and Nomination Committee may seek professional advice if necessary and will be provided with sufficient resources to perform its duties.

In 2013, the Remuneration and Nomination Committee's nomination, appointment, determination of remuneration packages and approval of incentive proposals included the following:

– for the purposes of strengthening and consolidating the human resources and improving the governance structure of the Company, approved the appointment of two vice presidents of the Company after careful consideration of the experience and expertise of the candidates, and submitted such recommendations to the Board for review and approval;

– assessed the performance of executive Directors;

– determined the remuneration packages of Directors and senior management based on the results performance of the Company and with reference to the market rates; and

– made recommendations to the Board with respect to the appointment of Directors according to the policies and procedures for nomination of Directors with due regards to election and recommendation criteria including gender, age, cultural and educational background, professional experience, skills and knowledge.

The Remuneration and Nomination Committee held five meetings and entered into one written resolution in 2013. Attendance of each member at the meeting is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	4/5	1	80%
Independent non-executive Director	Mr. SU Xijia	5/5	0	100%
Non-executive Director	Mr. LI Xin*	2/2	0	100%
Non-executive Director	Ms. SHI Dai*	3/3	0	100%

* Mr. LI Xin ceased to be a Director of the Company and a member of the Remuneration and Nomination Committee with effect from 16 January 2013. Ms. SHI Dai was appointed as a non-executive Director of the Company and a member of the Remuneration and Nomination Committee by the Board with effect from 16 January 2013.

THE AUDIT COMMITTEE

The Audit Committee of the Company is responsible for communicating with management and internal and external auditors, as well as reviewing and overseeing the Company's financial reporting and audit procedures jointly with them. During the Period under Review, the members of the Audit Committee are Mr. SU Xijia (independent non-executive Director), Ms. LI Xuehua (non-executive Director) and Mr. LIU Hongyu (independent non-executive Director). The chairman of the Audit Committee is Mr. SU Xijia. From the end of the Period under Review to the date of this report, there was an additional member to the committee, i.e. Mr. YANG Lin (non-executive Director). All members of the Audit Committee have financial and/or legal backgrounds which enable them to precisely assess the financial conditions, compliance and risk exposure of the Company, as well as to impartially perform their duties and responsibilities.

The functions of the Audit Committee include:

– to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any issues in respect of resignation or dismissal of the auditors;

– to discuss the nature and scope of audit and the relevant reporting responsibilities with external auditors before auditing, and to review and examine whether the external auditors are independent and objective and whether the audit procedures are effective according to applicable standards;

– to develop and implement policies on the engagement of external auditors for non-audit services;

– to monitor integrity of financial statements, reports and accounts of the Company, interim reports and quarterly reports (if any), and to review significant opinions regarding financial reporting contained therein, to consider any material matters or unusual matters that are reflected or are required to be reflected in such reports and accounts, and to consider any matters proposed by the qualified accountant, compliance officer or auditors of the Company as appropriate;

- to review the internal control and risk management systems of the Company, to ensure that the management has performed its duties in establishing an effective internal control system, and to examine the material investigation findings and management's responses in respect of internal control matters;

- to review the Company's financial and accounting policies and practices, to review the external auditors' management letter, to respond to any queries raised by the management and the Board, and to report to the Board as necessary; and

- to establish an employee direct reporting system across the Company, and to conduct investigations on unusual conditions if it considers necessary and appropriate and report to the Board as necessary.

During 2013, financial reporting and internal control reviews undertaken by the Audit Committee include the following:

- reviewed the integrity and accuracy of the 2012 annual report, the 2013 interim report and formal announcements relating to the Group's financial performance;

- reviewed the 2012 work report and 2013 work plans for internal audit and internal control of the Company;

- reviewed the means of communication between the external auditors and the internal audit department; and

- reviewed the annual pre-audit results, profit forecast, audit strategies and significant issues for 2013.

The Audit Committee held three meetings in 2013. Attendance of each member at the meetings is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Independent non-executive Director	Mr. SU Xijia	3/3	0	100%
Independent non-executive Director	Mr. LIU Hongyu	3/3	0	100%
Non-executive Director	Ms. LI Xuehua	3/3	0	100%

The Chief Financial Officer, the qualified accountant and the auditors of the Company attended all these meetings including the three meetings which reviewed the completeness and accuracy of the Company's 2012 annual report, 2013 interim report and formal announcements relating to the Group's financial performance.

INDEPENDENT BOARD COMMITTEE

During the Period under Review and as at the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LIU Hongyu. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

– to discuss whether the Company should exercise the independent options granted by Sinochem Group to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any business in connection with the Non-Competition Undertaking or any reconstruction business in relation to the properties held by Sinochem Group, and the new business opportunities or property reconstruction opportunities of which the Company is notified by Sinochem Group in writing;

– to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuit of new opportunities;

– for the connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spinoff listing arrangements subject to approval under the Listing Rules, to examine whether the terms thereunder are fair and reasonable, and in the interest of the Group and its shareholders as a whole, and to make recommendations to the Board; and

– to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held three meetings and entered into two written resolutions in 2013, at which it considered the outstanding shimao investment independent option granted by Sinochem Group to the Company, and resolved not to exercise the option of shimao investment for the time being and to make relevant disclosure in the interim and annual reports; considered and approved the connected transaction in relation to the joint tender for Shanghai No.55 Haimen Road Project and the formation of joint venture between the Company and SIPG; considered and approved the Company in developing Sinochem Group's new business opportunity in relation to Hangzhou Qianxian Boiler Land Parcel Project; and confirmed various continuing connected transactions of the Company for 2013 and the relevant transaction list. Attendance of each member at the meetings is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	3/3	0	100%
Independent non-executive Director	Mr. SU Xijia	3/3	0	100%
Independent non-executive Director	Mr. LIU Hongyu	3/3	0	100%

STRATEGY AND INVESTMENT COMMITTEE

As at the date of the report, the members of the Strategy and Investment Committee of the Company are Mr. HE Cao, Mr. LI Congrui, Mr. HE Binwu and Mr. LIU Hongyu. The chairman of the Strategy and Investment Committee is Mr. HE Cao.

The functions of the Strategy and Investment Committee include:

– to study and formulate the Company's growth strategies, and supervise and monitor management's execution of the Company's growth strategies;

– to review the new project investment proposals submitted by the management according to the Company's growth strategies;

– to review the proposals on the establishment of departments in the headquarters submitted by the management.

The Strategy and Investment Committee held ten meetings and entered into eight written resolutions in 2013, to consider projects investments such as the acquisition of Nanjing International Center Project, Beijing Yizhuang Jin Mao Yue Project, Phase II of Changsha Meixi Lake Land Primary Development Project as well as three equity cooperation agreements. Attendance of each member at the meetings is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Executive Director	Mr. HE Cao	10/10	0	100%
Non-executive Director	Mr. LUO Dongjiang*	1/2	1	50%
Executive Director	Mr. LI Congrui	10/10	1	100%
Executive Director	Mr. HE Binwu	10/10	0	100%
Independent non-executive Director	Mr. LIU Hongyu	10/10	0	100%

* Mr. LUO Dongjiang ceased to be the Director of the Company and the member of the Strategy and Investment Committee with effect from 16 January 2013.

EXTERNAL AUDITORS

During the Year, the remuneration paid/payable to the Company's auditors, Ernst & Young, amounted to a total of HK$8,467,900, of which HK$4,400,000 was for audit service fees of the Group's financial statements, HK$584,000 was audit service fees of certain subsidiaries of the Group, HK$2,327,000 was related to the Group's issuance of bonds, HK$1,122,000 was for review service fees of the Group's interim financial information, and HK$34,900 was for tax service fees.

INTERNAL CONTROL

The Board takes full responsibilities for maintaining sound and effective internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through its Internal Control Department, conducts regular checks on office procedures, practices and systems to prevent assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all major controls, including financial, operational and compliance supervision and risk management functions of the Company.

The Directors of the Company all consider that the Group's existing internal control systems are effective.

INSIDE INFORMATION

The Company has taken prudent measures in handling inside information, for which the Company has formulated effective systems and measures for inside information. Personnel who have access to such inside information must ensure that the information is kept confidential, and should not, in any manner, divulge the information of the Company. Consultants and intermediaries engaged by the Company have all entered into confidentiality agreements with the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to regulate directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the requirements set out in the Model Code for the year ended 31 December 2013.

All the employees of the Group shall comply with "Administrative Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the requirements set out in Appendix 10 of the Listing Rules in their dealings in the securities of the Company.

RIGHTS OF SHAREHOLDERS

Shareholders have right to raise questions and make suggestions on the business of the Company. All shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles of Association of the Company.

Moving a Resolution at an Annual General Meeting

Pursuant to Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholder(s) can submit a written requisition to move a resolution at an annual general meeting if they –

(a) represent not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the annual general meeting; or

(b) are no less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

The written requisition must –

(a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the annual general meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form);

(c) be deposited at the registered office of the Company for the attention of the Company Secretary not less than 6 weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the annual general meeting in the case of any other requisition; and

(d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules.

Proposing a candidate for election as a Director

Pursuant to Article 80(2)(b) in the Articles of Association of the Company, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should give the Company Secretary a notice of his intention to propose a resolution for the appointment or reappointment of the person as the Director of the Company and a notice executed by that person of his willingness to be appointed or re-appointed, no earlier than the day after the despatch of the notice of the general meeting and no later than seven days prior to the date fixed for such general meeting.

Convening an extraordinary general meeting

Pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company can submit a written requisition to convene an extraordinary general meeting.

The written requisition must –

(a) state the objects of the extraordinary general meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form); and

(c) be deposited at the registered office of the Company for the attention of the Company Secretary.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an extraordinary general meeting on a day not more than 28 days after the date on which the notice convening the extraordinary general meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an extraordinary general meeting, but any extraordinary general meeting so convened shall not be held after the expiration of 3 months from the said date.

Shareholders' enquiries to the Board

Enquiries from shareholders for the Board may be directed to us by the means as stated in the section under "Corporate Information" in this annual report.

GENERAL MEETING

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication methods, including general meetings, announcements and circulars to shareholders. The Company held an annual general meeting on 13 June 2013 to review and approve the audited financial statements, the Directors' report and the auditor's report for the year ended 31 December 2012; to declare the final dividend for the year ended 31 December 2012; to review and approve the election of Ms. SHI Dai as a non-executive Director of the Company; to authorise the Board to determine the remuneration of Directors of the Company; to re-appoint Ernst & Young as auditors of the Company and authorise the Board to determine their remuneration; and to review and approve the general mandate to issue shares and repurchase shares. All Directors of the Company attended the annual general meeting held on 13 June 2013.

Report of the Directors

The Board presents its report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and the principal activities of its subsidiaries are development of, investment in and operation of real estate projects, focusing on commercial property development, hotel operations and property leasing. Details of the subsidiaries of the Company are set out in note 21 to the financial statements.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 159 of this annual report.

The Board recommended the payment of a final dividend of HK9.5 cents per ordinary share for the year ended 31 December 2013. The proposed final dividend shall be subject to approval of shareholders at the forthcoming annual general meeting. No interim dividend was paid for the period ended 30 June 2013. The recommended final dividend has been accounted for in the financial statements as proposed final dividend within the equity section in the consolidated statement of financial position. The Company will give a notice on closure of its register of members in relation to the entitlement to the final dividend and the right to attend and vote at the annual general meeting upon determination of the date of the annual general meeting.

SHARE CAPITAL AND SHARE OPTIONS

As at 31 December 2013, the authorised share capital of the Company was 20,000,000,000 ordinary shares and the total issued share capital was 9,161,489,489 ordinary shares.

As stated in the 2010 annual report of the Company, on 12 October 2010, the convertible securities due in 2015 convertible into fully-paid ordinary shares of the Company with an aggregate principal amount of US$600 million were offered to no less than six investors. Based on an initial conversion price of HK$2.83, such convertible securities can be converted into 1,644,763,250 shares. Assuming full conversion of such convertible securities, the issued share capital of the Company will be increased to 10,806,252,739 ordinary shares. The net proceeds from the issue of these convertible securities by the Company amounting to approximately US$591 million (after deducting expenses) were mainly used to finance the new and existing projects (including construction costs and land costs) and for general corporate purposes. During the Year, no convertible securities were converted into ordinary shares of the Company.

Details of movement in the Company's share capital and share options during the Year are set out in notes 36 and 37 to the financial statements respectively.

RESERVES

Movements in reserves of the Company and of the Group during the Year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), amounted to HK$1,604,069,000, of which HK$870,342,000 has been proposed as a final dividend for the Year. In addition, the Company's share premium account in the amount of HK$6,109,789,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to major customers and purchases from major suppliers of the Group in the Year are set out below:

	For the year ended 31 December 2013 Percentage of total turnover (%)
Five largest customers	37%
The largest customer	10%

	Percentage of total purchase (%)
Five largest suppliers	34%
The largest supplier	10%

The above five largest customers and five suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors of the Company or any of their associates or any shareholders who own more than 5% of the Company's issued share capital had any interest in the Group's five largest customers or five largest suppliers.

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2013 are set out in note 32 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the Year, no charitable donations were made by the Group.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 14 and 18 to the financial statements, respectively.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling shareholders' interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 264 of this annual report. This summary does not form part of the audited financial statements.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company are set out on pages 112 to 121 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2013, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

During the year ended 31 December 2013, details of the remuneration of the Directors and senior management of the Company are set out in notes 8, 9 and 43(b) to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its controlling shareholder or any of their respective subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2013 or at any time during the Year. The Company did not provide any loan to the Directors or the management personnel of the Company during the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Sinochem Group is the ultimate controlling shareholder of the Company. The contracts of significance entered into between Sinochem Group and its subsidiaries, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") and the Company or its subsidiaries are mainly agreements of continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Group and the Company dated 26 July 2007, as detailed in sections headed "Continuing Connected Transactions" and "Compliance with Non-Competition Agreement" below.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Sinochem Group has provided its written confirmation in respect of Sinochem Group and its subsidiaries' (other than those which form part of the Group) compliance with its obligations under the Non-competition Undertaking during 2013.

EMPLOYEES AND REMUNERATION POLICIES

For details regarding the employees and remuneration policies of the Group during the Year, please refer to the section headed "Corporate Social Responsibility Report – Lifting the Vitality of the City" on page 108 of this annual report, respectively.

RETIREMENT SCHEME

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") administrated and organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all retired employees under these schemes and the Group has no further obligation for post-retirement benefits to the employees beyond the contributions made.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes for the year ended 31 December 2013 were HK$109,766,000.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

SHARE OPTION SCHEME

On 22 November 2007, the Company adopted a share option scheme (the "Scheme"), the purpose of which is to enhance the commitment of the participants to the Company and encourage them to pursue the objectives of the Company.

According to the terms of the Scheme of the Company, the Board shall at its absolute discretion grant to any participant a certain number of options at a subscription price at any time within 10 years after the adoption date of the Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company.

Unless approval of shareholders is obtained in a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the options (including exercised, cancelled and outstanding options) granted under the Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further grant of options shall be given to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay an amount which is equivalent to the nominal value of HK$1 (to be determined on the date when the offer of the grant is accepted) to the Company as a consideration for acceptance of the offer of the grant of the option.

More details of the Scheme are set out in note 37 to the financial statements.

GRANT AND EXERCISE OF OPTIONS

On 5 May 2008, 5,550,000 share options were granted to eligible participants by the Company at the exercise price of HK$3.37 for each share of the Company to be issued, being the average closing price of the shares on the Stock Exchange for the five consecutive trading days immediately preceding the grant date of such options. Such options shall vest the earliest after two years from the date of grant of options.

On 30 April 2010, the Remuneration and Nomination Committee of the Board of the Company approved the vesting of 40% of the share options granted in May 2008 by the Company according to the Scheme passed at the extraordinary general meeting held on 22 November 2007, the performance review results of the grantees of share options and the Explanation on the Fulfilment of Conditions of Share Options of Franshion Properties for 2009 provided by the independent professional advisor.

On 13 June 2011, the Remuneration and Nomination Committee of the Board of the Company approved and confirmed the lapse and cancellation of 30% of the share options granted in May 2008 by the Company on 5 May 2011 according to the Scheme passed at the extraordinary general meeting held on 22 November 2007 and the Explanation on the Fulfilment of Conditions of Share Options with Reference to the Results of Franshion Properties for 2010 provided by the Financial Management Department of the Company, as the performance review results for 2010 did not meet the target performance results.

On 17 May 2012, the Remuneration and Nomination Committee of the Board of the Company approved and confirmed the lapse and cancellation of the remaining 30% of the share options granted in May 2008 by the Company on 5 May 2012 according to the Share Option Scheme passed at the extraordinary general meeting held on 22 November 2007 and the Explanation on the Fulfilment of Conditions of Share Options with Reference to the Results of Franshion Properties for 2011 provided by the Financial Management Department of the Company, as the performance review results for 2011 did not meet the target performance results.

On 28 November 2012, 58,267,500 share options were granted to eligible participants by the Company at the exercise price of HK$2.44 for each share of the Company to be issued, being the closing price of the shares on the Stock Exchange on the grant date of such options. Such options shall vest the earliest after two years from the date of grant of the options.

The share options will only vest if the pre-set performance targets of the Group, the division of the grantee and the grantee are achieved. Otherwise, the share options shall lapse.

During the Period under Review, no share options were exercised under the Scheme. The following share options were outstanding under the Scheme during the year ended 31 December 2013:

Name or category of grantees	As at 1 January 2013	Number of share options: Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2013	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options (HK$)	Closing price of the shares of the Company immediately preceding the grant date (HK$)
Directors										
Mr. LUO Dongjiang (Note 1)	450,000	–	–	–	–	450,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	450,000	–	–	–	–	450,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	600,000	–	–	–	–	600,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Mr. HE Cao	450,000	–	–	–	–	450,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	450,000	–	–	–	–	450,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	600,000	–	–	–	–	600,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Ms. LI Xuehua	194,980	–	–	–	–	194,980	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	315,000	–	–	–	–	315,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	315,000	–	–	–	–	315,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	420,000	–	–	–	–	420,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Mr. LI Xin (Note 2)	315,000	–	–	–	–	315,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	315,000	–	–	–	–	315,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	420,000	–	–	–	–	420,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45

Name or category of grantees	As at 1 January 2013	Number of share options: Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2013	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options (HK$)	Closing price of the shares of the Company immediately preceding the grant date (HK$)
Mr. LI Congrui	435,000	–	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	435,000	–	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	580,000	–	–	–	–	580,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Mr. HE Binwu	194,980	–	–	–	–	194,980	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	435,000	–	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	435,000	–	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	580,000	–	–	–	–	580,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Sub total	389,960	–	–	–	–	389,960	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	8,000,000	–	–	–	–	8,000,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
Employees in aggregate	872,617	–	–	–	(82,307)	790,310	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	15,080,250	–	–	–	(854,550)	14,225,700	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	15,080,250	–	–	–	(854,550)	14,225,700	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	20,107,000	–	–	–	(1,139,400)	18,967,600	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Total	1,262,577	–	–	–	(82,307)	1,180,270	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	58,267,500	–	–	–	(2,848,500)	55,419,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45

Note 1: Mr. LUO Dongjiang resigned as a non-executive Director and the Chairman of the Company and a member of the Strategy and Investment Committee of the Company on 16 January 2013, but remained as a director of a subsidiary of the Company. The options granted to him as grantee remained valid.

Note 2: Mr. LI Xin resigned as a non-executive Director of the Company and a member of the Remuneration and Nomination Committee of the Company on 16 January 2013, but remained as a director of a subsidiary of the Company. The options granted to him as grantee remained valid.

Note 3: The number of share options granted on 5 May 2008 was adjusted on 18 March 2009 when the rights issue became unconditional. Further details of the rights issue are set out in note 37 to the financial statements.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 31 December 2013, none of the Directors and chief executives of the Company had any 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 Securities and Futures Ordinance ("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, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Capacity	Number of shares held	Number of underlying shares held (note 1)	Approximate percentage of the issued share capital
Mr. LUO Dongjiang (note 2)	Beneficial owner	–	1,500,000 (L)	0.0164%
Mr. HE Cao	Beneficial owner	–	1,500,000 (L)	0.0164%
Ms. LI Xuehua	Beneficial owner	–	1,244,980 (L)	0.0136%
Mr. LI Xin (note 2)	Beneficial owner	–	1,050,000 (L)	0.0115%
Mr. LI Congrui	Beneficial owner	–	1,450,000 (L)	0.0158%
Mr. HE Binwu	Beneficial owner	400,000(L)	1,644,980 (L)	0.0223%

(L) Denotes long positions

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

Note 2: Mr. LUO Dongjiang and Mr. LI Xin ceased to be a Director of the Company with effect from 16 January 2013.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors of the Company, as at 31 December 2013, the following persons (other than the Directors or chief executives of the Company) had interests and short positions in the shares, or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange:

Name of the substantial shareholder	Long/ short position	Capacity/ nature of Interests	Number of ordinary shares	Approximate percentage of the issued share capital
Sinochem Hong Kong	Long position	Beneficial owner	5,759,881,259	62.87%
Sinochem Corporation	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
Sinochem Group	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
Earn Max Enterprises Limited	Long position	Beneficial owner	733,803,307	8.01%
Warburg Pincus Private Equity X, L.P.	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus X, L.P.	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus X, LLC	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus Partners LLC	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus & Co.	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%

Note 1: Sinochem Group holds 98% equity interests in Sinochem Corporation, which in turn holds the entire equity interests in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

Note 2: Earn Max Enterprises Limited is 96.90% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly or indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by Earn Max Enterprises Limited.

Save as disclosed above, as at 31 December 2013, the Directors of the Company were not aware of any person (other than the Directors or chief executives of the Company) had interest or short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Continuing connected transactions exempt from independent shareholders' approval requirements:

1 Entrustment loan framework agreement entered into between Shanghai Yin Hui with the Company and SIPG

2 Loan framework agreement entered into between Beijing Franshion Sunac Property Development Co., Ltd. ("Franshion Sunac") with Shanghai Tuofeng Investment Consulting Co., Ltd. ("Shanghai Tuofeng"), Tianjin Sunac Aocheng Investment Co., Ltd. ("Tianjin Aocheng") and Beijing Sunac Hengji Property Development Co., Ltd. ("Beijing Hengji");

3 Entrustment loan framework agreement entered into between Jinmao Investment (Changsha) Co., Ltd. ("Jinmao Changsha") with Shanghai Jinmao Economic Development Co., Ltd. ("Jinmao Development") and Changsha CSC Investment Co., Ltd. ("CSC Changsha");

II. Continuing connected transactions approved by independent shareholders:

4 Framework lease agreement between the Company and Sinochem Group;

5 Renewed framework financial service agreement between the Company and Sinochem Finance Co., Ltd. ("Sinochem Finance").

For these continuing connected transactions, the Company confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules. Set out below is a summary of all these transactions:

I. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1 Entrustment loan framework agreement between Shanghai Yin Hui with the Company and SIPG

On 12 November 2012, Shanghai Yin Hui entered into the framework agreement with its shareholders, namely the Company and SIPG, pursuant to which Shanghai Yin Hui agreed to provide entrustment loans to the Company and SIPG (or their respective designated wholly-owned subsidiaries) based on the same terms and conditions and in proportion to their respective shareholdings in Shanghai Yin Hui. The actual interest rate of each of the entrustment loans shall be determined by reference to the RMB benchmark loan interest rate for financial institutions published by the People's Bank of China (the "PBOC") from time to time, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the framework agreement. The framework agreement is for a term of three years. During the term of the framework agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Shanghai Yin Hui to each of the Company (including its designated wholly-owned subsidiaries) and SIPG (including its designated wholly-owned subsidiaries) is RMB650 million. For the year ended 31 December 2013, the transaction amount did not exceed the annual cap.

Shanghai Yin Hui, owned as to 50% by each of the Company and SIPG, is a non-wholly-owned subsidiary of the Company. SIPG is the substantial shareholder of Shanghai Yin Hui and is therefore a connected person of the Company. Accordingly, the provision of entrustment loans by Shanghai Yin Hui to SIPG (or its designated wholly-owned subsidiaries) according to the framework agreement constitutes the provision of financial assistance by the Company to a connected person, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

2 Loan framework agreement between Franshion Sunac with Tianjin Aocheng and Beijing Hengji

On 15 October 2013, Franshion Sunac entered into the framework agreement with its shareholders, namely Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengi, pursuant to which Franshion Sunac agreed to provide loans to Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengji based on the same terms and conditions and in proportion to their respective shareholdings in Franshion Sunac. The actual interest rate of each of the loans shall be determined by reference to the three-year RMB benchmark loan interest rate for financial institutions published by the PBOC from time to time, subject to a floating range of 50% higher or lower than such rate. As Tianjin Aocheng and Beijing Hengji are owned by the same effective controller, Tianjin Aocheng agreed to designate Beijing Hengji to receive on its behalf the loans to be provided by Franshion Sunac to Tianjin Aocheng under the framework agreement. Tianjin Aocheng and Beijing Hengji are jointly and severally liable for the repayment of the loans (including any accrued interest) received by Beijing Hengji on behalf of Tianjin Aocheng. The parties shall enter into loan agreements separately according to the terms and conditions set out in the framework agreement. The framework agreement is for a term of three years. During the term of the framework agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Franshion Sunac to Beijing Hengji is RMB700 million. For the year ended 31 December 2013, the transaction amount did not exceed the annual cap.

Shanghai Tuofeng is a wholly-owned subsidiary of the Company. Franshion Sunac, owned as to 51%, 24% and 25% by Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengji respectively, is a non-wholly-owned subsidiary of the Company. Tianjin Aocheng and Beijing Hengji are the substantial shareholders of Franshion Sunac and are therefore connected persons of the Company. Accordingly, the provision of loans by Franshion Sunac to Beijing Hengji according to the framework agreement constitutes the provision of financial assistance by the Company to a connected person, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

3 Entrustment loan framework agreement between Jinmao Changsha with Jin Mao Development and CSC Changsha

On 21 October 2013, Jinmao Changsha entered into the framework agreement with its shareholders, namely Jinmao Development and CSC Changsha, pursuant to which Jinmao Changsha agreed to provide entrustment loans to Jinmao Development (or its designated non-connected subsidiaries of the Company) and CSC Changsha (or any one of its designated shareholders) based on the same terms and conditions and in proportion to their respective shareholdings in Jinmao Changsha. The actual interest rate of each of the entrustment loans shall be determined by reference to the RMB benchmark loan interest rate for financial institutions published by the PBOC from time to time, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the framework agreement. The framework agreement is for a term of three years. During the term of the framework agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Jinmao Changsha to CSC Changsha (or any one of its designated shareholders) is RMB700 million. For the year ended 31 December 2013, the transaction amount did not exceed the annual cap.

Jinmao Development is a wholly-owned subsidiary of the Company. Jinmao Changsha, owned as to 80% and 20% respectively by Jinmao Development and CSC Changsha, is a non-wholly-owned subsidiary of the Company. CSC Changsha is the substantial shareholder of Jinmao Changsha and is therefore a connected person of the Company. Accordingly, the provision of entrustment loans by Jinmao Changsha to CSC Changsha (or any one of its designated shareholders) according to the framework agreement constitutes the provision of financial assistance by the Company to a connected person, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS APPROVED BY INDEPENDENT SHAREHOLDERS:

4 Framework lease agreement between the Company and Sinochem Group

The Company and Sinochem Group entered into two framework agreements for lease of properties in Beijing Chemsunny World Trade Centre and Sinochem Tower and Jin Mao Tower on 31 December 2008 and 31 July 2009, respectively (the "original framework lease agreements"). In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in Beijing Chemsunny World Trade Centre, Sinochem Tower and Jin Mao Tower between the Company (and its subsidiaries) and Sinochem Group (and its associates), the Company entered into a comprehensive framework lease agreement with Sinochem Group in place of the two original framework lease agreements on 11 November 2011. The framework lease agreement was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2011. The framework lease agreement is valid for a term of 10 years commencing from 1 January 2012. Pursuant to the framework lease agreement:

(1) The original framework lease agreements shall be terminated on 31 December 2011 and the framework lease agreement shall take effect on 1 January 2012. All the rights and obligations of the parties under the two original framework lease agreements shall be discharged upon the termination of the original framework lease agreements.

(2) Pursuant to the original framework lease agreements, all the existing individual lease agreements in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China and the relevant units in Jin Mao Tower in Shanghai, China entered into between the Company (and its subsidiaries) and Sinochem Group (and its associates) respectively shall be included in and regulated by the framework lease agreement upon the termination of the original framework lease agreements.

(3) Based on its demand for office premises, Sinochem Group and its associates may increase the lease area in units by no more than 10% (if available) of the total gross floor area then being leased under the framework lease agreement in each of the three years from 2012 to 2014, and from 2015 onwards for each year during the remainder of the term of the framework lease agreement, increase the lease area at a rate mutually agreed by both Sinochem Group and the Company. All individual agreements to be entered into after the signing of the framework lease agreement shall be included in and regulated by the framework lease agreement.

(4) All continuing connected transactions under the individual lease agreements entered into and to be entered into pursuant to the framework lease agreement shall be aggregated and subject to the aggregate annual caps. The aggregate annual caps for the three years ending 31 December 2014 are RMB353 million, RMB395 million and RMB441 million, respectively.

Sinochem Group is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the framework lease agreement and the transactions contemplated under the individual lease agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In 2013, details of the framework lease agreement and the transactions contemplated under the individual lease agreements are as follows:

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2013
1. Eleven subsidiaries of Sinochem Group	Lease of relevant units in Jin Mao Tower from the Group			
1A International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2014	RMB	45,337,707
1B Sinochem International (Holdings) Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2015	RMB	24,889,476
1C Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2014	RMB	6,988,803
1D Shanghai Sinochem-Stolt Shipping Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2009 to 2015	RMB	675,558
1E Sinochem Crop Care Co., Ltd. (中化作物保護品有限公司)	Lease of relevant units in Jin Mao Tower from the Group	2011 to 2015	RMB	1,843,975
1F Hainan Sinochem Shipping Co., Ltd. (海南中化船務有限責任公司)	Lease of relevant units in Jin Mao Tower from the Group	2012 to 2015	RMB	1,265,850
1G Jiangsu Sinorgchem Technology Co., Ltd. (江蘇聖奧化學科技有限公司)	Lease of relevant units in Jin Mao Tower from the Group	2012 to 2015	RMB	172,041
1H Shanghai Aoxing International Shipping Management Co., Ltd. (上海傲興國際船舶管理有限公司)	Lease of relevant units in Jin Mao Tower from the Group	2012 to 2015	RMB	1,455,790
1I Shanghai Safe-Transport Chemical Logistics Co., Ltd. (上海思爾博化工物流有限公司)	Lease of relevant units in Jin Mao Tower from the Group	2013 to 2015	RMB	1,478,673
1J Newport China Tank Containers Co., Ltd. (上海優保博國際物流有限公司)	Lease of relevant units in Jin Mao Tower from the Group	2013 to 2015	RMB	170,048
1K (Sinochem International Logistics Co., Ltd.) 中化國際物流有限公司	Lease of relevant units in Jin Mao Tower from the Group	2013 to 2015	RMB	16,938

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2013
2. Sinochem Group and its ten subsidiaries	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group			
2A Sinochem Group	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	8,560,751
2B Sinochem Corporation	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	76,587,369
2C Sinochem Fertilizer Company Limited	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	21,839,476
2D Sinochem International Oil Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	23,717,162
2E Sinochem International Industrial Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	954,189
2F Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	17,349,319
2G China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	17,282,375
2H International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	4,651,854
2I Sinochem Finance	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2008 to 2014	RMB	11,105,463
2J New XCL (China) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2011 to 2014	RMB	1,591,095

Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2013
3. Eleven subsidiaries of Sinochem Group	Lease of relevant units in Sinochem Tower from the Group			
3A Sinochem Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2016	RMB	2,666,762
3B Sinochem International Tendering Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2016	RMB	7,641,179
3C Sinochem Plastics Company	Lease of relevant units in Sinochem Tower from the Group	2007 to 2016	RMB	7,690,300
3D China National Seed Group Corp.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2016	RMB	4,852,345
3E Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2006 to 2016	RMB	4,669,467
3F Sinochem International Information Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2016	RMB	1,522,042
3G Sinochem International (Holdings) Co., Ltd., Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2007 to 2016	RMB	2,308,547
3H Sinochem Quanzhou Petroleum Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2008 to 2014	RMB	1,287,437
3I Sinochem International Oil Company	Lease of relevant units in Sinochem Tower from the Group	2010 to 2014	RMB	26,400
3J China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2010 to 2014	RMB	538,182
3K Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2013	RMB	14,083
Total				301,150,656

5 Renewed framework financial service agreement between the Company and Sinochem Finance

The Company and Sinochem Finance entered into a framework financial service agreement on 4 December 2008, pursuant to which Sinochem Finance shall provide financial services to the Company. Such agreement expired on 3 December 2011.

On 11 November 2011, the Company and Sinochem Finance entered into the renewed framework financial service agreement for a term of three years ending 3 December 2014, pursuant to which, the Company and its subsidiaries will from time to time use deposit services, loan services, entrustment loans, settlement services, guarantee services, internet banking services and any other financial services as approved by China Banking Regulatory Commission to be provided by Sinochem Finance as they consider necessary, and pay the relevant interests and service fees to or receive deposit interests from Sinochem Finance in accordance with the renewed framework financial service agreement. The relevant fees and loan interests shall be determined at a rate no higher than the standards as set by the PBOC from time to time or market price, and the deposit interests shall be determined at a rate no lower than the standards as set by the PBOC from time to time or market price. The settlement and guarantee services are provided free of charge.

Sinochem Finance is a subsidiary of Sinochem Group, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, the provision of financial services to the Company by Sinochem Finance as contemplated under the renewed framework financial service agreement constitutes a continuing connected transaction of the Company.

For each of the three years ending 31 December 2014, the cap on the maximum daily balance for deposit at Sinochem Finance shall be RMB1.77 billion. For the year ended 31 December 2013, the transaction amount did not exceed the annual cap.

CONNECTED TRANSACTIONS

During the Period under Review, the non-exempt connected transactions (exempt from independent shareholders' approval requirements) of the Company were as follows:

Connected transaction relating to the joint acquisition of land use right

Pursuant to a joint development agreement entered into between Loyal Power Properties Limited ("Loyal Power Properties"), a wholly-owned subsidiary of the Company, and SIPG on 10 December 2012, Loyal Power Properties and SIPG formed a consortium to participate in the bidding of a parcel of land situated at No.55 Haimen Road, Hongkou District, Shanghai and won the bidding of the land use right through listing-for-sale organised by Shanghai Land Transaction Center on 26 December 2012. The consortium signed a bid confirmation with Shanghai Land Transaction Center on 26 December 2012. Loyal Power Properties and SIPG entered into a joint venture contract on 14 January 2013 with respect to the establishment of a project company for the acquisition and development of the Land. The project company shall enter into a land use right transfer contract with the land bureau.

The land premium of the land is RMB5,680,000,000, which was arrived at as a result of successful bidding of the land by the consortium through listing-for-sale after taking into account the initial bidding price required under the listing-for-sale documents, prevailing market condition, location of the land and land price in the surrounding area. The project company shall be held as to 50% by each of Loyal Power Properties and SIPG. Any profits, losses and risks of the project company shall be shared by Loyal Power Properties and SIPG according to their respective shareholding in the project company.

SIPG is a connected person of the Company by virtue of it being a substantial shareholder of Shanghai Yin Hui, Shanghai International Shipping Service Center Development Co., Ltd. and Shanghai Port International Cruise Terminal Development Co., Ltd., all being non wholly-owned subsidiaries of the Company, and SIPG also constitutes a qualified connected person under Rule 14A.10(10A) of the Listing Rules. As all conditions under Rule 14A.72 of the Listing Rules are satisfied, the transaction constitutes a qualified property acquisition undertaken on a joint venture basis between the Company and a qualified connected person, and is therefore exempt from the independent shareholders' approval requirement.

For these connected transactions, the Company confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2013 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors has received a letter from the auditors, which stated that these continuing connected transactions:

- have been approved by the Board of Directors;
- have been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions;
- have been entered into in accordance with the pricing policies of the Company; and
- have not exceeded the relevant caps for the financial year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period under Review, save as disclosed below, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ISSUANCE OF GUARANTEED NOTES

As stated in the announcement of the Company dated 21 August 2013 regarding the issuance of US$200 million 6.4% guaranteed notes due 2022, the Company and the issuer (a wholly-owned subsidiary of the Company) entered into a purchase agreement in relation to the notes issue on 21 August 2013 with the manager, Goldman Sachs (Asia) L.L.C. The net proceeds of the issuance of the guaranteed notes by the Company, after deduction of underwriting commissions and other estimated expenses, amounted to approximately US$199 million, which were intended to be used for refinancing of outstanding indebtedness, working capital and other general corporate purposes. During the Period under Review, the Company did not redeem or cancel any such guaranteed notes.

As stated in the announcements of the Company dated 9 and 10 October 2013 respectively regarding the issuance of US$300 million 5.375% guaranteed notes due 2018, the Company and the issuer (a wholly-owned subsidiary of the Company) entered into a purchase agreement in relation to the notes issue on 9 October 2013 with the joint lead managers comprising The Royal Bank of Scotland plc, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Goldman Sachs (Asia) L.L.C. The net proceeds of the issuance of the guaranteed notes by the Company, after deduction of underwriting commissions and other estimated expenses, amounted to approximately US$299 million, which were intended to be used for refinancing of outstanding indebtedness, working capital and other general corporate purposes. The guaranteed notes were listed on the Stock Exchange on 18 October 2013. During the Period under Review, the Company did not redeem or cancel any such guaranteed notes.

REVIEW OF THE OPTION OVER SHIMAO INVESTMENT BY THE INDEPENDENT BOARD COMMITTEE

A meeting was held by the Independent Board Committee comprising all independent non-executive Directors of the Company on 26 February 2014 to review its decision made on 20 August 2013 not to exercise, for the time being, the option to acquire Sinochem Group's 15% interest in China Shimao Investment Company Limited ("Shimao Investment").

After careful review of the relevant information of Shimao Investment and taking into account the facts that Sinochem Group is a financial investor of Shimao Investment and owns a minority and passive interest in it only, and that the Company has a relatively high overall total debt position currently where the funds of the Company are mainly used for expanding the land reserve for development segments to accelerate the asset turnover ratio and the recovery of cash receivables. The Company has recently made significant progress in land reserve and the projects that are about to commence and have commenced construction include Shanghai Haimen Road Project, Ningbo Nantang Old Street Land Parcel Project, Chongqing Panlong Project, Guangzhou Nansha Project, Hangzhou Qianxian Boiler Land Parcel Project and Shanghai Zhabei Daning International Community Project, along with Phase I and Phase II of Changsha Meixi Lake Primary Land Development Project as well as four secondary development projects to be acquired gradually by the Company, which are large-scale development projects with long development cycle and huge demand for funds, the Company considers the acquisition of Shimao Investment at the moment would pose greater challenges to the Company in various aspects, including manpower and financial capacity. The independent non-executive Directors unanimously agreed that the exercise of the option over Shimao Investment at this moment is not in line with the Company's prudent investment policy, and is not in the best interests of the Company and the shareholders as a whole.

The Independent Board Committee unanimously resolved not to exercise the option to acquire Sinochem Group's 15% interest in Shimao Investment at this moment. As disclosed in the prospectus and the announcement dated 9 April 2010 of the Company, the Independent Board Committee would continue to review the option over Shimao Investment at the time when the interim and annual reports of the Company are to be released.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditors of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for 2013.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period under Review, the material acquisitions and disposals engaged by the Company were as follows:

1. *Acquisition of 51% equity interests of Leading Holdings Limited*

   On 2 February 2013, Glory Empire, a wholly-owned subsidiary of the Company (as Purchaser) and Bateson Investment (as Vendor) entered into the share sales and purchase agreement, pursuant to which, Glory Empire agreed to acquire 51% equity interests of Leading Holdings Limited from Bateson Investment for a cash consideration of RMB816,000,000, and Glory Empire also agreed to acquire from Bateson Investment 51% shareholders' loan provided by Bateson Investment to Leading Holdings Limited at a cash consideration of US$47,793,273.

   The transaction was completed on 4 February 2013. Upon completion of the transaction, Leading Holdings Limited is held as to 51% by Glory Empire and 49% by Bateson Investment respectively. As such, Leading Holdings Limited will be accounted for as a non-wholly owned subsidiary of the Company on a consolidated basis.

2. *Subscription by investor for newly issued shares of Premier Action International Ltd. ("Premier Action")*

   On 30 August 2013, the Company, Premier Action (a wholly-owned subsidiary of the Company) and the ProjectCo (an indirect wholly-owned subsidiary of the Company) entered into the subscription agreement with Turquoise Gem Investment Holdings Limited as investor, pursuant to which, Turquoise Gem Investment Holdings Limited agreed to subscribe the newly issued shares of Premier Action for a cash consideration of US$78,999,980, and agreed to make a cash payment of US$2,950,000 to the Company upon completion of the transaction to settle the land premium of Suzhou Gusu Jin Mao Palace Project and to finance the cost incurred in the establishment of the ProjectCo.

   The transaction was completed on 1 September 2013. Upon completion of the transaction, Premier Action is held as to 80% by the Company and 20% by the investor respectively. As such, Premier Action becomes a non-wholly owned subsidiary of the Company.

3. Subscription of the newly issued shares of Enhanced Experience Limited ("Enhanced Experience")

On 9 December 2013, the Company and Enhanced Experience (a wholly-owned subsidiary of the Company) entered into an investment agreement with four investors managed and ultimately controlled by The Blackstone Group L.P. comprising China Ningbo Residential Holding I Ltd., China Ningbo Residential Holding II Ltd., BREP Asia SBS Holding-NQ X Ltd. and BREP VII SBS Holding-NQ X Ltd., pursuant to which, the investors agreed to subscribe for the newly issued shares of Enhanced Experience for a cash consideration of US$127,864,303.

The transaction was completed on 9 December 2013. Upon completion of the transaction, Enhanced Experience is held as to 51% by the Company and 49% by the investors respectively. As such, Enhanced Experience becomes a non-wholly owned subsidiary of the Company.

In connection with the above transactions, the Company confirms that it is in compliance with the requirements of Chapters 13, 14 and 14A of the Listing Rules and the disclosure requirements in relation to inside information under Part XIVA of the SFO.

MATERIAL LITIGATION

For the year ended 31 December 2013, the Company was not subject to any material litigation that could have an adverse impact on the Company.

AUDITORS

The financial statements of the Group have been audited by Ernst & Young, who has offered itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as the auditors of the Company.

On Behalf of the Board
Chairman
HE Cao

Independent Auditors' Report

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To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Franshion Properties (China) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 159 to 263, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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

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 Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

26 February 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	20,718,913	17,175,666
Cost of sales		(11,518,572)	(9,976,971)
Gross profit		9,200,341	7,198,695
Other income and gains	5	2,355,290	1,931,279
Selling and marketing expenses		(623,758)	(439,132)
Administrative expenses		(1,161,582)	(968,054)
Other expenses and losses		(20,341)	(15,859)
Finance costs	7	(1,324,626)	(986,043)
Share of profits of joint ventures		2,293	2,463
PROFIT BEFORE TAX	6	8,427,617	6,723,349
Income tax expense	10	(3,393,261)	(2,783,013)
PROFIT FOR THE YEAR		5,034,356	3,940,336
Attributable to:			
Owners of the parent	11	4,227,150	3,377,727
Non-controlling interests		807,206	562,609
		5,034,356	3,940,336
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	HK cents	HK cents
Basic		46.14	36.87
Diluted		39.12	31.26

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR		5,034,356	3,940,336
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		1,595,789	8,492
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		15,764	9,471
Income tax effect		(3,941)	(2,368)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		11,823	7,103
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		1,607,612	15,595
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,641,968	3,955,931
Attributable to:			
Owners of the parent	11	5,602,127	3,388,321
Non-controlling interests		1,039,841	567,610
		6,641,968	3,955,931

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	10,908,733	6,955,608
Properties under development	15	33,318,338	13,047,328
Land under development	16	4,548,847	5,407,703
Investment properties	18	22,018,464	16,574,733
Prepaid land lease payments	19	2,008,359	1,664,341
Intangible assets	20	29,790	22,419
Investments in joint ventures	22	42,052	38,516
Due from non-controlling shareholders	29	254,380	123,330
Deferred tax assets	34	951,253	427,852
Other financial assets	27	42,629	41,335
Total non-current assets		74,122,845	44,303,165
CURRENT ASSETS			
Properties under development	15	10,713,573	10,383,932
Properties held for sale	17	5,915,469	3,078,117
Land under development	16	5,162,762	6,695,959
Inventories	23	31,577	29,555
Trade receivables	24	4,202,014	2,003,074
Prepayments, deposits and other receivables	25	5,286,473	2,400,952
Due from related parties	26	11,790	12,360
Prepaid tax		472,087	7,375
Other financial assets	27	131,324	123,330
Restricted bank balances	28	303,400	355,222
Pledged deposits	28	–	220,761
Cash and cash equivalents	28	14,489,962	12,888,442
Total current assets		46,720,431	38,199,079
CURRENT LIABILITIES			
Trade payables	30	5,304,170	2,525,712
Other payables and accruals	31	20,948,522	11,942,458
Interest-bearing bank and other borrowings	32	6,139,184	8,952,176
Due to related parties	26	3,443,604	99,634
Tax payable		1,575,317	1,160,869
Provision for land appreciation tax	33	2,193,118	1,045,194
Total current liabilities		39,603,915	25,726,043
NET CURRENT ASSETS		7,116,516	12,473,036
TOTAL ASSETS LESS CURRENT LIABILITIES		81,239,361	56,776,201
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	29,666,951	19,323,246
Deferred tax liabilities	34	4,352,954	2,950,125
Total non-current liabilities		34,019,905	22,273,371
Net assets		47,219,456	34,502,830

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	9,161,489	9,161,489
Perpetual convertible securities	35	4,588,000	4,588,000
Reserves	38(a)	18,942,053	14,487,048
Proposed final dividend	12	870,342	641,304
		33,561,884	28,877,841
Non-controlling interests		13,657,572	5,624,989
Total equity		47,219,456	34,502,830

He Cao
Director

Li Congrui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 36)	Share premium account HK$'000	Perpetual convertible securities HK$'000 (note 35)	Capital reserve HK$'000 (note 38)	PRC statutory surplus reserve HK$'000 (note 38)	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000 (note 38)	Share option reserve HK$'000 (note 38)	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		9,161,489	6,109,789	4,588,000	(2,180,460)	581,991	3,096,121	112,044	3,410	4,331,905	366,460	26,170,749	4,376,506	30,547,255
Profit for the year		–	–	–	–	–	–	–	–	3,377,727	–	3,377,727	562,609	3,940,336
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	3,491	–	–	–	–	3,491	5,001	8,492
Gain on de-registration of a subsidiary		–	–	–	–	(4)	–	–	–	4	–	–	–	–
Gains on property revaluation, net of tax		–	–	–	–	–	–	7,103	–	–	–	7,103	–	7,103
Total comprehensive income for the year		–	–	–	–	(4)	3,491	7,103	–	3,377,731	–	3,388,321	567,610	3,955,931
Perpetual convertible securities' distributions	35	–	–	–	–	–	–	–	–	(316,661)	–	(316,661)	–	(316,661)
Final 2011 dividend declared		–	–	–	–	–	–	–	–	–	(366,460)	(366,460)	–	(366,460)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	150,374	150,374
Equity-settled share option arrangements	37	–	–	–	–	–	–	–	1,892	–	–	1,892	–	1,892
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	–	–	–	(2,060)	2,060	–	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	701,764	701,764
Capital returned to non-controlling shareholders upon de-registration of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(9,102)	(9,102)
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(162,163)	(162,163)
Proposed final 2012 dividend	12	–	–	–	–	–	–	–	–	(641,304)	641,304	–	–	–
Transfer from retained profits		–	–	–	–	243,061	–	–	–	(243,061)	–	–	–	–
At 31 December 2012		9,161,489	6,109,789*	4,588,000	(2,180,460)*	825,048*	3,099,612*	119,147*	3,242*	6,510,670*	641,304	28,877,841	5,624,989	34,502,830

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 36)	Share premium account HK$'000	Perpetual convertible securities HK$'000 (note 35)	Capital reserve HK$'000 (note 38)	PRC statutory surplus reserve HK$'000 (note 38)	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000 (note 38)	Share option reserve HK$'000 (note 38)	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2012 and 1 January 2013		9,161,489	6,109,789*	4,588,000	(2,180,460)*	825,048*	3,099,612*	119,147*	3,242*	6,510,670*	641,304	28,877,841	5,624,989	34,502,830
Profit for the year		–	–	–	–	–	–	–	–	4,227,150	–	4,227,150	807,206	5,034,356
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	1,363,154	–	–	–	–	1,363,154	232,635	1,595,789
Gains on property revaluation, net of tax		–	–	–	–	–	–	11,823	–	–	–	11,823	–	11,823
Total comprehensive income for the year		–	–	–	–	–	1,363,154	11,823	–	4,227,150	–	5,602,127	1,039,841	6,641,968
Perpetual convertible securities' distributions	35	–	–	–	–	–	–	–	–	(317,424)	–	(317,424)	–	(317,424)
Final 2012 dividend declared		–	–	–	–	–	–	–	–	–	(641,304)	(641,304)	–	(641,304)
Acquisition of a subsidiary	39	–	–	–	–	–	–	–	–	–	–	–	1,267,412	1,267,412
Equity-settled share option arrangements	37	–	–	–	–	–	–	–	18,150	–	–	18,150	–	18,150
Deemed disposal of subsidiaries		–	–	–	22,494	–	–	–	–	–	–	22,494	(22,494)	–
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	–	–	–	(1,074)	1,074	–	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	6,564,743	6,564,743
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(816,919)	(816,919)
Proposed final 2013 dividend	12	–	–	–	–	–	–	–	–	(870,342)	870,342	–	–	–
Transfer from retained profits		–	–	–	–	440,537	–	–	–	(440,537)	–	–	–	–
At 31 December 2013		9,161,489	6,109,789*	4,588,000	(2,157,966)*	1,265,585*	4,462,766*	130,970*	20,318*	9,110,591*	870,342	33,561,884	13,657,572	47,219,456

* These reserve accounts comprise the consolidated reserves of HK$18,942,053,000 (2012: HK$14,487,048,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,427,617	6,723,349
Adjustments for:			
Finance costs	7	1,324,626	986,043
Share of profits of joint ventures		(2,293)	(2,463)
Bank interest income	5	(187,242)	(169,535)
Other investment income	5	(74,925)	(28,628)
Loss on disposal of items of property, plant and equipment	6	1,398	15,540
Impairment of items of property, plant and equipment	6,14	2,108	–
Impairment of trade receivables	6,24	16,794	319
Impairment of other receivables	6	41	–
Fair value gains on investment properties	5,18	(1,831,346)	(1,625,855)
Fair value gains on transfers from properties held for sale to investment properties	5	(5,932)	(9,646)
Depreciation	6,14	268,842	222,806
Recognition of prepaid land lease payments	6,19	60,312	50,974
Amortisation of intangible assets	6,20	10,428	7,985
Gain on bargain purchase	5,39	(142,912)	–
Equity-settled share option expense	6,37	18,150	1,892
		7,885,666	6,172,781
Increase in properties under development		(27,725,517)	(12,793,599)
Decrease in properties held for sale		5,412,774	6,616,216
Decrease/(increase) in land under development		3,198,233	(174,786)
Decrease/(increase) in inventories		(299)	2,562
Increase in trade receivables		(2,200,117)	(1,898,280)
Increase in prepayments, deposits and other receivables		(1,400,170)	(462,690)
Decrease in amounts due from related parties		570	9,101
Increase in trade payables		2,573,594	180,220
Increase in other payables and accruals		6,562,230	4,201,626
Increase in amounts due to related parties		3,343,970	20,339
Effect of exchange rate changes, net		(472,397)	(37,450)
Cash generated from/(used in) operations		(2,821,463)	1,836,040
Interest received		189,731	170,735
PRC corporate income tax paid		(1,951,607)	(617,476)
Land appreciation tax paid		(413,365)	(519,395)
Net cash flows from/(used in) operating activities		(4,996,704)	869,904

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		74,925	28,628
Purchases of items of property, plant and equipment		(807,941)	(309,720)
Proceeds from disposal of items of property, plant and equipment		2,106	2,883
Additions to investment properties	18	(27,368)	(20,492)
Additions to prepaid land lease payments	19	(12,521)	(1,291)
Additions to intangible assets	20	(12,440)	(3,626)
Decrease/(increase) in other financial assets		100,754	(123,330)
Acquisition of subsidiaries	39	(177,799)	24,681
Advances of loans to non-controlling shareholders		(1,267,193)	(431,655)
Decrease/(increase) in entrustment loans to third parties		10,301	(247,129)
Decrease/(increase) in time deposits with original maturity of over three months when acquired without option to withdraw upon demand similar to demand deposits		266,691	(180,485)
Decrease in pledged deposits		220,761	15,841
Decrease/(increase) in restricted bank deposits		625,371	(223,344)
Net cash flows used in investing activities		(1,004,353)	(1,469,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		25,960,790	16,487,938
Repayment of bank and other borrowings		(21,338,623)	(13,368,990)
Interest paid		(1,947,173)	(949,439)
Repayment of advances from non-controlling shareholders		–	(900,455)
Dividends paid		(641,304)	(366,460)
Dividends paid to non-controlling shareholders		(957,464)	(45)
Advance to a non-controlling shareholder		–	(184,990)
Advance from non-controlling shareholders		240,677	–
Capital contribution from non-controlling shareholders		6,564,743	701,764
Capital returned to non-controlling shareholders		–	(9,102)
Perpetual convertible securities' distributions paid		(317,424)	(316,661)
Net cash flows from financing activities		7,564,222	1,093,560
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,563,165	494,425
Cash and cash equivalents at beginning of year		12,621,751	12,137,439
Effect of foreign exchange rate changes, net		305,046	(10,113)
CASH AND CASH EQUIVALENTS AT END OF YEAR		14,489,962	12,621,751
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	12,403,941	8,407,987
Non-pledged time deposits with original maturity of within three months when acquired		1,977,142	4,132,980
Non-pledged time deposits with original maturity of over three months when acquired with option to withdraw upon demand similar to demand deposits		108,879	80,784
		14,489,962	12,621,751
Non-pledged time deposits with original maturity of over three months when acquired without option to withdraw upon demand similar to demand deposits		–	266,691
Cash and cash equivalents as stated in the statement of financial position	28	14,489,962	12,888,442

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	41	89
Intangible assets	20	2,238	2,238
Investments in subsidiaries	21	24,532,759	21,050,076
Total non-current assets		24,535,038	21,052,403
CURRENT ASSETS			
Due from subsidiaries	21	15,631,655	5,640,277
Prepayments, deposits and other receivables	25	30,155	27,319
Due from related parties	26	1,008	718
Cash and cash equivalents	28	966,711	3,351,886
Total current assets		16,629,529	9,020,200
CURRENT LIABILITIES			
Other payables and accruals	31	24,916	17,571
Due to related parties	26	3,334,435	–
Interest-bearing bank and other borrowings	32	775,450	2,492,608
Total current liabilities		4,134,801	2,510,179
NET CURRENT ASSETS		12,494,728	6,510,021
TOTAL ASSETS LESS CURRENT LIABILITIES		37,029,766	27,562,424
NON-CURRENT LIABILITIES			
Due to subsidiaries	21	15,197,718	11,377,681
Interest-bearing bank and other borrowings	32	4,936,383	–
Total non-current liabilities		20,134,101	11,377,681
Net assets		16,895,665	16,184,743
EQUITY			
Issued capital	36	9,161,489	9,161,489
Reserves	38(b)	6,863,834	6,381,950
Proposed final dividend	12	870,342	641,304
Total equity		16,895,665	16,184,743

He Cao
Director

Li Congrui
Director

Notes to Financial Statements

31 December 2013

1. CORPORATE INFORMATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property and land development
- property leasing
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain other financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of disclosure requirements for these entities. Details of the disclosures for subsidiaries and joint ventures are included in notes 21 and 22 to the financial statements.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 18 and 45 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied.

The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(h) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

The Group previously initially early adopted HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011) (or its revised standards) for its consolidated financial statements for the year ended 31 December 2011. The adoption of HKFRS 10, HKAS 27(2011) and HKAS 28(2011) has no material impact on the accounting policies of the Group and has no material impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
Annual improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
HK(IFRIC)-Int 21	*Levies*[1]
HKFRS 14	*Regulatory Deferral Account*[4]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] No mandatory effective date yet determined but is available for adoption
[4] Effective for annual periods beginning on or after 1 January 2016

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Investments in joint ventures

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures (Continued)

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Hotel properties	1.7% – 9.5%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property as a revalued asset at the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation and is debt with as movements in the asset revaluation reserve, if the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

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

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

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

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Government grants

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) from land development, when the risks and rewards in connection with the land development are transferred, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) hotel and other service income, in the period in which such services are rendered;

(d) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the statement of profit or loss when they arise;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(e) from the rendering of property management services, in the period in which such services are rendered;

(f) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(h) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 37 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

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

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.54% and 7.05% has been applied to the expenditure on the individual assets.

Dividends

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

The functional currency of all subsidiaries, joint ventures and joint operations operating in Mainland China is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

For the purpose of the consolidated statement of cash flows, the cash flows of all subsidiaries and joint operations operating in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of all subsidiaries and joint operations operating in Mainland China which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

Estimation uncertainty

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

Impairment of trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Estimation of fair value of investment properties

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

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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

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

The carrying amount of investment properties at 31 December 2013 was HK$22,018,464,000 (2012: HK$16,574,733,000). Further details, including the key assumptions used for the fair value measurement, are given in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Carrying amount of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2013 was HK$9,711,609,000 (2012: HK$12,103,662,000). Further details are given in note 16 to the financial statements.

Measurement of cost from land development

Development costs of land are recorded as land under development during the construction stage and an apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the revenue of the land under development. Before the final settlement of the development costs and other costs relating to the land under development, these costs are accrued by the Group based on management's best estimate.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumption, are given in note 46 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2013 was HK$193,695,000 (2012: HK$67,238,000). The amount of unrecognised tax losses at 31 December 2013 was HK$342,685,000 (2012: HK$305,967,000). Further details are given in note 34 to the financial statements.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years. The carrying amount of properties under development at 31 December 2013 was HK$44,031,911,000 (2012: HK$23,431,260,000). Further details are given in note 15 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2013 was HK$1,575,317,000 (2012: HK$1,160,869,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2013 was HK$2,193,118,000 (2012: HK$1,045,194,000). Further details are given in note 33 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of net realisable value for properties held for sale and inventories

Properties held for sale and inventories are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amounts of properties held for sale and inventories at 31 December 2013 were HK$5,915,469,000 (2012: HK$3,078,117,000) and HK$31,577,000 (2012: HK$29,555,000), respectively.

4. OPERATING SEGMENT INFORMATION

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

(a) the property and land development segment develops and sells properties and develops land;

(b) the property leasing segment leases office and commercial premises;

(c) the hotel operations segment provides hotel accommodation services, food and beverage; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, the operation of an observation deck, the trading of goods, and the provision of export agency services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income, gain on bargain purchase and finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, prepaid tax, pledged deposits, restricted bank balances, cash and cash equivalents, certain other financial assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. Management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013	Property and land development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	16,867,694	1,248,794	2,061,232	541,193	20,718,913
Intersegment sales	–	6,255	–	591,334	597,589
	16,867,694	1,255,049	2,061,232	1,132,527	21,316,502
Reconciliation:					
Elimination of intersegment sales					(597,589)
Total revenue					20,718,913
Segment results	6,249,932	2,809,229	395,303	45,540	9,500,004
Elimination of intersegment results					(8,224)
Interest income					187,242
Other investment income					74,925
Gain on bargain purchase					142,912
Corporate and other unallocated expenses					(144,616)
Finance costs					(1,324,626)
Profit before tax					8,427,617
Segment assets	73,954,961	22,192,267	15,369,293	757,319	112,273,840
Reconciliation:					
Elimination of intersegment assets					(16,686,729)
Corporate and other unallocated assets					25,256,165
Total assets					120,843,276
Segment liabilities	31,431,946	1,006,499	5,664,886	665,920	38,769,251
Reconciliation:					
Elimination of intersegment liabilities					(16,541,102)
Corporate and other unallocated liabilities					51,395,671
Total liabilities					73,623,820
Other segment information:					
Share of profits of joint ventures	–	–	–	2,293	2,293
Depreciation and amortisation	10,869	20,937	232,299	15,165	279,270
Recognition of prepaid land lease payments	2,650	–	57,550	112	60,312
Loss on disposal of items of property, plant and equipment	–	455	898	45	1,398
Impairment losses recognised in the statement of profit or loss	66	16,436	1,876	565	18,943
Fair value gains on investment properties	–	1,831,346	–	–	1,831,346
Fair value gains on transfers from properties held for sale to investment properties	–	5,932	–	–	5,932
Investments in joint ventures	–	–	–	42,052	42,052
Capital expenditure*	457,727	29,602	755,188	14,683	1,257,200

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties, including assets from the acquisition of a subsidiary.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012	Property and land development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	13,445,438	1,106,417	2,010,179	613,632	17,175,666
Intersegment sales	–	4,865	8,960	383,370	397,195
	13,445,438	1,111,282	2,019,139	997,002	17,572,861
Reconciliation:					
Elimination of intersegment sales					(397,195)
Total revenue					17,175,666
Segment results	4,659,105	2,623,052	442,871	59,863	7,784,891
Reconciliation:					
Elimination of intersegment results					(3,874)
Interest income					169,535
Other investment income					28,628
Corporate and other unallocated expenses					(269,788)
Finance costs					(986,043)
Profit before tax					6,723,349
Segment assets	53,292,918	17,574,980	15,570,646	596,543	87,035,087
Reconciliation:					
Elimination of intersegment assets					(27,968,616)
Corporate and other unallocated assets					23,435,773
Total assets					82,502,244
Segment liabilities	26,142,592	434,459	7,930,371	458,472	34,965,894
Reconciliation:					
Elimination of intersegment liabilities					(27,294,956)
Corporate and other unallocated liabilities					40,328,476
Total liabilities					47,999,414
Other segment information:					
Share of profits of joint ventures	–	–	–	2,463	2,463
Depreciation and amortisation	6,802	3,379	203,522	17,088	230,791
Recognition of prepaid land lease payments	1,400	–	48,482	1,092	50,974
Loss on disposal of items of property, plant and equipment	7	397	14,252	884	15,540
Impairment losses recognised in the statement of profit or loss	–	–	319	–	319
Fair value gains on investment properties	–	1,625,855	–	–	1,625,855
Fair value gains on transfers from properties held for sale to investment properties	–	9,646	–	–	9,646
Investments in joint ventures	–	–	–	38,516	38,516
Capital expenditure*	160,066	22,411	54,941	85,610	323,028

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year, there was one customer accounted for 10% or more of the Group's revenue and its revenues amounted to HK$2,050,657,000. In 2012, there was one customer accounted for 10% or more of the Group's revenue and its revenues amounted to HK$2,704,035,000.

The sales to the above customers were included in the property and land development segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds from the sale of properties and land development, net of business tax; gross rental income from investment properties, net of business tax; income from hotel operations, property management and related services rendered, net of business tax; an appropriate proportion of contract revenue of service contracts; and the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	Notes	2013 HK$'000	2012 HK$'000
Revenue			
Sale of properties		9,708,112	10,796,423
Land development		7,159,582	2,649,015
Gross rental income		1,248,794	1,106,417
Hotel operations		2,061,232	2,010,179
Others		541,193	613,632
		20,718,913	17,175,666
Other income			
Bank interest income		187,242	169,535
Other investment income		74,925	28,628
		262,167	198,163
Gains			
Fair value gains on investment properties	18	1,831,346	1,625,855
Fair value gains on transfers from properties held for sale to investment properties		5,932	9,646
Foreign exchange differences, net		–	11,658
Government grants*		81,267	70,725
Gain on bargain purchase	39	142,912	–
Others		31,666	15,232
		2,093,123	1,733,116
		2,355,290	1,931,279

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of properties sold		5,314,194	6,340,542
Cost of land development		4,582,448	2,058,284
Cost of services provided		1,621,930	1,578,145
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		156,528	111,134
Depreciation	14	268,842	222,806
Amortisation of intangible assets	20	10,428	7,985
Minimum lease payments under operating leases in respect of land and buildings		31,368	14,240
Recognition of prepaid land lease payments	19	60,312	50,974
Auditors' remuneration		4,400	4,000
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		932,775	728,114
Equity-settled share option expense	37	18,150	1,892
Pension scheme contributions (defined contribution scheme)		109,766	85,374
Less: Amount capitalised		(13,050)	(6,625)
Net pension scheme contributions*		96,716	78,749
		1,047,641	808,755
Foreign exchange differences, net		13,482	(11,658)
Loss on disposal of items of property, plant and equipment**		1,398	15,540
Impairment of trade receivables**	24	16,794	319
Impairment of other receivables**		41	–
Impairment of items of property, plant and equipment**	14	2,108	–

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

** These items are included in "Other expenses and losses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2013 HK$'000	2012 HK$'000
Interest on bank loans and other loans wholly repayable within five years	1,636,536	1,445,727
Interest on notes wholly repayable beyond five years	343,671	264,236
Interest on an amount due to a fellow subsidiary (note 43)	18,429	11,307
Total interest expense	1,998,636	1,721,270
Less: Interest capitalised	(674,010)	(735,227)
	1,324,626	986,043

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Fees	1,080	720
Other emoluments:		
Salaries, allowances and benefits in kind	6,433	4,033
Performance related bonuses*	7,123	5,307
Equity-settled share option expense	1,731	325
Pension scheme contributions	690	565
	15,977	10,230
	17,057	10,950

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

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

	2013 HK$'000	2012 HK$'000
Mr. Lau Hon Chuen, Ambrose	360	240
Mr. Su Xijia	360	240
Mr. Liu Hongyu	360	240
	1,080	720

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

(b) Executive directors, non-executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Executive directors:						
Mr. He Cao#	–	2,183	2,937	467	368	5,955
Mr. Li Congrui#	–	1,868	2,266	452	322	4,908
Mr. He Binwu	–	2,382	1,920	452	–	4,754
	–	6,433	7,123	1,371	690	15,617
Non-executive directors:						
Mr. Luo Dongjiang@	–	–	–	19	–	19
Ms. Li Xuehua	–	–	–	327	–	327
Mr. Li Xin@	–	–	–	14	–	14
Ms. Shi Dai*	–	–	–	–	–	–
	–	–	–	360	–	360
	–	6,433	7,123	1,731	690	15,977

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012						
Executive directors:						
Mr. He Cao	–	1,386	1,983	39	313	3,721
Mr. Li Congrui	–	1,193	1,296	38	252	2,779
Mr. He Binwu	–	1,454	2,028	96	–	3,578
	–	4,033	5,307	173	565	10,078
Non-executive directors:						
Mr. Luo Dongjiang	–	–	–	39	–	39
Ms. Li Xuehua	–	–	–	86	–	86
Mr. Li Xin	–	–	–	27	–	27
	–	–	–	152	–	152
	–	4,033	5,307	325	565	10,230

Mr. He Cao resigned as the chief executive officer of the Company and was re-designated as the chairman and executive director of the Company with effect from 16 January 2013. Mr. Li Congrui was re-designated as the executive director and chief executive officer with effect from 16 January 2013.

@ Mr. Luo Dongjiang and Mr. Li Xin resigned as the directors of the Company with effect from 16 January 2013 due to their other business commitments which require more of their dedications.

* Ms. Shi Dai was appointed as the non-executive director of the Company on 16 January 2013. She was elected as the non-executive director of the Company at the annual general meeting of the Company held on 13 June 2013.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	3,197	2,404
Performance related bonuses	3,489	2,289
Equity-settled share option expense	904	119
Pension scheme contributions	532	607
	8,122	5,419

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

	Number of employees	
	2013	2012
HK$2,500,001 to HK$3,000,000	–	2
HK$3,500,001 to HK$4,000,000	1	–
HK$4,000,001 to HK$4,500,000	1	–
	2	2

In prior years, share options were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	Group	
	2013 HK$'000	2012 HK$'000
Current		
PRC corporate income tax		
Charge for the year	2,143,104	1,381,979
Overprovision in prior years	(17,267)	–
PRC land appreciation tax	1,285,905	1,145,318
	3,411,742	2,527,297
Deferred	(18,481)	255,716
Total tax charge for the year	3,393,261	2,783,013

10. INCOME TAX (Continued)

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2012: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

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

Group – 2013

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(642,649)		9,070,266		8,427,617	
Tax at the statutory income tax rate	(106,037)	16.5	2,267,567	25.0	2,161,530	25.6
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	78,057	0.9	78,057	0.9
Adjustment in respect of current tax of previous periods	–	–	(17,267)	(0.2)	(17,267)	(0.2)
Profits and losses attributable to joint ventures	–	–	(573)	–	(573)	–
Income not subject to tax	(5,951)	0.9	(35,728)	(0.4)	(41,679)	(0.5)
Expenses not deductible for tax	111,988	(17.4)	125,036	1.3	237,024	2.9
Tax losses utilised from previous periods	–	–	(15,884)	(0.2)	(15,884)	(0.2)
Tax losses not recognised	–	–	27,624	0.3	27,624	0.3
LAT (note 33)	–	–	1,285,905	14.2	1,285,905	15.3
Tax effect of LAT	–	–	(321,476)	(3.5)	(321,476)	(3.8)
Tax charge at the Group's effective rate	–	–	3,393,261	37.4	3,393,261	40.3

10. INCOME TAX (Continued)

Group – 2012

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(339,373)		7,062,722		6,723,349	
Tax at the statutory income tax rate	(55,997)	16.5	1,765,681	25.0	1,709,684	25.4
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	95,149	1.3	95,149	1.4
Profits and losses attributable to joint ventures	–	–	(616)	–	(616)	–
Income not subject to tax	(180)	0.1	(8,168)	(0.1)	(8,348)	(0.1)
Expenses not deductible for tax	56,177	(16.6)	143,951	2.1	200,128	3.0
Tax losses utilised from previous periods	–	–	(103,446)	(1.5)	(103,446)	(1.5)
Tax losses not recognised	–	–	31,667	0.5	31,667	0.5
Tax exception	–	–	(194)	–	(194)	–
LAT (note 33)	–	–	1,145,318	16.2	1,145,318	17.0
Tax effect of LAT	–	–	(286,329)	(4.1)	(286,329)	(4.3)
Tax charge at the Group's effective rate	–	–	2,783,013	39.4	2,783,013	41.4

The share of tax attributable to joint ventures amounting to HK$773,000 (2012: HK$832,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of HK$482,890,000 (2012: a loss of HK$43,528,000) which was arrived at after deducting dividend income from subsidiaries totalling HK$1,816,966,000 (2012: HK$615,600,000) from the Company's profits of HK$1,334,076,000 (2012: HK$572,072,000), that has been dealt with in the financial statements of the Company (note 38(b)).

12. DIVIDEND

	2013 HK$'000	2012 HK$'000
Proposed final – HK9.5 cents (2012: HK7.0 cents) per ordinary share	870,342	641,304

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 9,161,489,489 (2012: 9,161,489,489) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's perpetual convertible securities into ordinary shares. As the impact of the Company's share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented, they were not accounted for in the calculation of the diluted earnings per share amount.

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

	2013 HK$'000	2012 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	4,227,150	3,377,727

	Number of shares 2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	9,161,489,489	9,161,489,489
Effect of dilution – weighted average number of ordinary shares:		
Perpetual convertible securities	1,644,763,250	1,644,763,250
	10,806,252,739	10,806,252,739

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013							
At 31 December 2012 and at 1 January 2013:							
Cost	6,279,018	67,794	411,493	1,586,216	69,267	295,242	8,709,030
Accumulated depreciation and impairment	(835,297)	(65,227)	(48,417)	(762,345)	(36,889)	(5,247)	(1,753,422)
Net carrying amount	5,443,721	2,567	363,076	823,871	32,378	289,995	6,955,608
At 1 January 2013, net of accumulated depreciation and impairment	5,443,721	2,567	363,076	823,871	32,378	289,995	6,955,608
Additions	3,403	2,615	–	28,763	9,925	1,160,165	1,204,871
Disposals	(1,119)	–	(414)	(1,268)	(703)	–	(3,504)
Depreciation provided during the year	(126,394)	(13,160)	(11,289)	(108,508)	(9,491)	–	(268,842)
Impairment	–	–	–	(2,108)	–	–	(2,108)
Acquisition of a subsidiary (note 39)	473,253	17,579	20,775	45,629	2,895	1,659,477	2,219,608
Gains on property revaluation in relation to the transfers to investment properties	–	–	15,764	–	–	–	15,764
Transfer from investment properties (note 18)	–	–	71,285	–	–	–	71,285
Transfer to investment properties (note 18)	–	–	(37,096)	–	–	–	(37,096)
Transfer from properties under development (note 15)	–	–	–	–	–	498,570	498,570
Transfer to properties under development (note 15)	–	–	–	–	–	(50,753)	(50,753)
Transfers	(52,862)	–	1,312	3,146	–	48,404	–
Exchange realignment	181,465	428	11,808	25,838	1,093	84,698	305,330
At 31 December 2013, net of accumulated depreciation and impairment	5,921,467	10,029	435,221	815,363	36,097	3,690,556	10,908,733
At 31 December 2013:							
Cost	6,903,968	27,985	494,134	1,704,880	79,426	3,697,660	12,908,053
Accumulated depreciation and impairment	(982,501)	(17,956)	(58,913)	(889,517)	(43,329)	(7,104)	(1,999,320)
Net carrying amount	5,921,467	10,029	435,221	815,363	36,097	3,690,556	10,908,733

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012							
At 1 January 2012:							
Cost	6,572,179	67,422	406,129	1,662,470	57,227	53,190	8,818,617
Accumulated depreciation and impairment	(1,013,803)	(63,962)	(43,604)	(769,838)	(30,672)	(5,248)	(1,927,127)
Net carrying amount	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490
At 1 January 2012, net of accumulated depreciation and impairment	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490
Additions	7,829	461	(1,199)	20,357	13,226	256,945	297,619
Disposals	(17,046)	–	(315)	(941)	(121)	–	(18,423)
Depreciation provided during the year	(112,706)	(1,294)	(7,423)	(94,088)	(7,295)	–	(222,806)
Gains on properties revaluation in relation to the transfers to investment properties	–	–	9,466	–	–	–	9,466
Transfer to investment properties (note 18)	–	–	(23,704)	–	–	–	(23,704)
Transfer from investment properties (note 18)	–	–	20,039	–	–	–	20,039
Transfer from properties held for sale	–	–	2,837	–	–	–	2,837
Transfers	8,528	(57)	907	6,272	–	(15,650)	–
Exchange realignment	(1,260)	(3)	(57)	(361)	13	758	(910)
At 31 December 2012, net of accumulated depreciation and impairment	5,443,721	2,567	363,076	823,871	32,378	289,995	6,955,608
At 31 December 2012:							
Cost	6,279,018	67,794	411,493	1,586,216	69,267	295,242	8,709,030
Accumulated depreciation and impairment	(835,297)	(65,227)	(48,417)	(762,345)	(36,889)	(5,247)	(1,753,422)
Net carrying amount	5,443,721	2,567	363,076	823,871	32,378	289,995	6,955,608

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013			
At 1 January 2013:			
Cost	605	2,357	2,962
Accumulated depreciation	(567)	(2,306)	(2,873)
Net carrying amount	38	51	89
At 1 January 2013, net of accumulated depreciation	38	51	89
Additions	19	–	19
Depreciation provided during the year	(17)	(50)	(67)
At 31 December 2013, net of accumulated depreciation	40	1	41
At 31 December 2013:			
Cost	624	2,357	2,981
Accumulated depreciation	(584)	(2,356)	(2,940)
Net carrying amount	40	1	41

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2012			
At 1 January 2012:			
Cost	590	2,357	2,947
Accumulated depreciation	(539)	(1,902)	(2,441)
Net carrying amount	51	455	506
At 1 January 2012, net of accumulated depreciation	51	455	506
Additions	15	–	15
Depreciation provided during the year	(28)	(404)	(432)
At 31 December 2012, net of accumulated depreciation	38	51	89
At 31 December 2012:			
Cost	605	2,357	2,962
Accumulated depreciation	(567)	(2,306)	(2,873)
Net carrying amount	38	51	89

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

All of the Group's hotel properties and buildings are situated in Mainland China and are held under the following lease terms:

	2013 HK$'000	2012 HK$'000
Long term leases	782,026	773,348
Medium term leases	5,574,662	5,033,449
	6,356,688	5,806,797

At 31 December 2013, certain of the Group's hotel properties and buildings included in property, plant and equipment with a net carrying amount of approximately HK$4,647,187,000 (2012: HK$3,279,204,000) and HK$356,442,000 (2012: HK$304,587,000), respectively, were pledged to secure bank loans granted to the Group (note 32).

15. PROPERTIES UNDER DEVELOPMENT

		Group	
	Notes	2013 HK$'000	2012 HK$'000
Carrying amount at 1 January		23,431,260	18,874,377
Acquisition of subsidiaries		–	629,869
Additions		27,927,943	12,793,599
Transfer from property, plant and equipment	14	50,753	–
Transfer to property, plant and equipment	14	(498,570)	–
Transfer to properties held for sale		(7,816,332)	(8,879,805)
Transfer to prepaid land lease payments	19	(106,487)	–
Exchange realignment		1,043,344	13,220
Carrying amount at 31 December		44,031,911	23,431,260
Current portion		(10,713,573)	(10,383,932)
Non-current portion		33,318,338	13,047,328

All of the Group's properties under development are situated in Mainland China and are held under the following lease terms:

	2013 HK$'000	2012 HK$'000
Long term leases	22,448,112	10,388,079
Medium term leases	21,583,799	13,043,181
	44,031,911	23,431,260

At 31 December 2013, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK$12,065,182,000 (2012: HK$4,928,638,000) were pledged to secure bank loans granted to the Group (note 32). At 31 December 2012, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK$995,650,000 were pledged to secure bank loans granted to an unrelated third party.

16. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects in Changsha Meixi Lake and Sanya Yazhouwan (the "Projects") which are situated in Mainland China. Though the Group does not have ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	Group	
	2013 HK$'000	2012 HK$'000
Carrying amount at 1 January	12,103,662	11,845,893
Additions	2,544,228	2,413,015
Acquisition of subsidiaries	–	84,358
Recognised during the year	(5,271,569)	(2,238,229)
Exchange realignment	335,288	(1,375)
Carrying amount at 31 December	9,711,609	12,103,662
Current portion	(5,162,762)	(6,695,959)
Non-current portion	4,548,847	5,407,703

17. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost. The Group's properties held for sale are situated in Mainland China and are held under the following lease terms:

	Group	
	2013 HK$'000	2012 HK$'000
Long term leases	2,970,327	2,132,543
Medium term leases	2,945,142	945,574
	5,915,469	3,078,117

At 31 December 2013, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately HK$275,662,000 (2012: HK$1,427,161,000) were pledged to secure bank loans granted to the Group (note 32).

18. INVESTMENT PROPERTIES

		Group	
		2013	2012
	Notes	HK$'000	HK$'000
Carrying amount at 1 January		16,574,733	14,889,712
Additions		27,368	20,492
Acquisition of a subsidiary	39	2,789,903	–
Net gain from a fair value adjustment	5	1,831,346	1,625,855
Transfer from properties held for sale		195,203	32,087
Transfer from owner-occupied properties	14	37,096	23,704
Transfer to owner-occupied properties	14	(71,285)	(20,039)
Exchange realignment		634,100	2,922
Carrying amount at 31 December		22,018,464	16,574,733

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

The Group's investment properties consist of six commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued individually on 31 December 2013 based on valuations performed by Knight Frank Petty Limited, CB Richard Ellis Limited, and Beijing Renda Real Estate Appraisal Co., Ltd, independent professionally qualified valuers, at HK$22,018,464,000 (2012: HK$16,574,733,000). Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

These investment properties are leased under operating leases, further summary details of which are included in note 41(a) to the financial statements.

At 31 December 2013, certain of the Group's investment properties with a carrying value of HK$14,770,708,000 (2012: HK$10,406,408,000) were pledged to secure bank loans granted to the Group (note 32).

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2013 using		
	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:			
Commercial properties	56,727	21,961,737	22,018,464

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

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000
Carrying amount at 1 January 2013	16,519,728
Additions	27,368
Acquisition of a subsidiary	2,789,903
Net gain from a fair value adjustment	1,831,346
Transfer from properties held for sale	195,203
Transfer from owner-occupied properties	37,096
Transfer to owner-occupied properties	(71,285)
Exchange realignment	632,378
Carrying amount at 31 December 2013	21,961,737

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

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

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Property 1(a)-Chemsunny World Trade Centre-Office	Term and reversion method	Term yield	8.10%
		Reversionary yield	8.10%
		Market rent (per square metre ("sqm") per annum ("p.a."))	HK$1,169 - HK$7,414 (HK$5,961)
Property 1(b)-Chemsunny World Trade Centre-Retail	Term and reversion method	Term yield	7.50%
		Reversionary yield	7.50%
		Market rent (per sqm p.a.)	HK$7,360 - HK$7,510 (HK$7,440)
Property 2(a)-Sinochem Tower-Office	Term and reversion method	Term yield	8.00%
		Reversionary yield	8.00%
		Market rent (per sqm p.a.)	HK$3,062 - HK$3,624 (HK$3,338)
Property 2(b)-Sinochem Tower-Retail	Term and reversion method	Term yield	7.00%
		Reversionary yield	7.00%
		Market rent (per sqm p.a.)	HK$1,366 - HK$2,899 (HK$1,981)
Property 2(c)-Sinochem Tower-Warehouse	Term and reversion method	Term yield	10.00%
		Reversionary yield	10.00%
		Market rent (per sqm p.a.)	HK$1,502
Property 3(a)-Jinmao Tower-Office	Term and reversion method and Market comparable method	Term yield	5.75%
		Reversionary yield	5.75%
		Market rent (per sqm p.a.)	HK$1,856 - HK$4,640 (HK$4,482)
		Price per sqm	HK$67,432
Property 3(b)-Jinmao Tower-Retail	Term and reversion method and Market comparable method	Term yield	9.00%
		Reversionary yield	9.00%
		Market rent (per sqm p.a.)	HK$7,270
		Price per sqm	HK$77,662
Property 3(c)-Jinmao Tower-Car parks	Term and reversion method	Term yield	5.00%
		Reversionary yield	5.00%
		Market rent (per unit per p.a.)	HK$7,542

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Property 4(a)-Zhuhai Every Garden-Club house	Term and reversion method	Term yield	6.25%
		Reversionary yield	6.50%
		Market rent (per sqm p.a.)	HK$496 - HK$976 (HK$537)
Property 4(b)-Zhuhai Huayuan Building -2nd Floor	Term and reversion method	Term yield	5.75%
		Reversionary yield	6.25%
		Market rent (per sqm p.a.)	HK$616
Property 5(a)-Nanjing International Plaza-Retail	Discounted cash flow method	Estimated rental value (per sqm p.a)	HK$712 - HK$2,781 (HK$1,579)
		Rental growth p.a.	0.00%-13.00% (6.50%)
		Long term vacancy rate	5.00%
		Discount rate	5.00%-7.00% (6.10%)
Property 5(b)-Nanjing International Plaza-Office	Discounted cash flow method	Estimated rental value (per sqm p.a)	HK$1,909 - HK$2,057 (HK$1,964)
		Rental growth p.a.	0.00%-5.00% (2.50%)
		Long term vacancy rate	5.00%
		Discount rate	5.50%-7.00% (5.90%)
Property 5(c)-Nanjing International Plaza-Car parks	Discounted cash flow method	Estimated rental value (per unit p.a)	HK$4,506 - HK$10,815 (HK$6,793)
		Rental growth p.a.	2.80%-6.30% (5.00%)
		Long term vacancy rate	10.00%-15.00% (13.20%)
		Discount rate	1.50%
Property 6-Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a)	HK$914 - HK$960 (HK$924)
		Rental growth p.a.	0.00%-3.00% (2.90%)
		Long term vacancy rate	4.10%
		Discount rate	5.00%-6.50% (5.10%)

18. INVESTMENT PROPERTIES (Continued)

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalized into the value at appropriate rates.

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, eg, crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis."

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

19. PREPAID LAND LEASE PAYMENTS

		Group	
		2013	2012
	Notes	HK$'000	HK$'000
Carrying amount at 1 January		1,715,347	1,765,474
Additions		12,521	1,291
Transfer from properties under development	15	106,487	–
Acquisition of a subsidiary	39	235,249	–
Recognised during the year		(60,312)	(50,974)
Exchange realignment		61,566	(444)
Carrying amount at 31 December		2,070,858	1,715,347
Current portion included in prepayments, deposits and other receivables	25	(62,499)	(51,006)
Non-current portion		2,008,359	1,664,341

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	2013	2012
	HK$'000	HK$'000
Long term leases	238,107	235,238
Medium term leases	1,832,751	1,480,109
	2,070,858	1,715,347

At 31 December 2013, certain of the Group's prepaid land lease payments with a net carrying amount of HK$345,385,000 (2012: HK$108,161,000) were pledged to secure bank loans granted to the Group (note 32).

20. INTANGIBLE ASSETS

Group

	Computer software HK$'000	Others HK$'000	Total HK$'000
31 December 2013			
At 1 January 2013:			
Cost	50,435	9,387	59,822
Accumulated amortisation and impairment	(35,556)	(1,847)	(37,403)
Net carrying amount	14,879	7,540	22,419
Cost at 1 January 2013, net of accumulated amortisation and impairment	14,879	7,540	22,419
Additions	12,440	–	12,440
Acquisition of a subsidiary (note 39)	4,561	–	4,561
Amortisation provided during the year	(10,175)	(253)	(10,428)
Exchange realignment	636	162	798
At 31 December 2013	22,341	7,449	29,790
At 31 December 2013:			
Cost	70,760	9,611	80,371
Accumulated amortisation and impairment	(48,419)	(2,162)	(50,581)
Net carrying amount	22,341	7,449	29,790
31 December 2012			
At 1 January 2012:			
Cost	46,805	9,388	56,193
Accumulated amortisation and impairment	(27,799)	(1,598)	(29,397)
Net carrying amount	19,006	7,790	26,796
Cost at 1 January 2012, net of accumulated amortisation and impairment	19,006	7,790	26,796
Additions	3,626	–	3,626
Amortisation provided during the year	(7,737)	(248)	(7,985)
Exchange realignment	(16)	(2)	(18)
At 31 December 2012	14,879	7,540	22,419
At 31 December 2012:			
Cost	50,435	9,387	59,822
Accumulated amortisation and impairment	(35,556)	(1,847)	(37,403)
Net carrying amount	14,879	7,540	22,419

20. INTANGIBLE ASSETS (Continued)

Company

	Total HK$'000
31 December 2013	
At 1 January 2013:	
Cost	2,238
Accumulated amortisation and impairment	–
Net carrying amount	2,238
Cost at 1 January 2013, net of accumulated amortisation and impairment	2,238
Amortisation provided during the year	–
At 31 December 2013	2,238
At 31 December 2013:	
Cost	2,238
Accumulated amortisation and impairment	–
Net carrying amount	2,238
31 December 2012	
At 1 January 2012:	
Cost	2,238
Accumulated amortisation and impairment	–
Net carrying amount	2,238
Cost at 1 January 2012, net of accumulated amortisation and impairment	2,238
Amortisation provided during the year	–
At 31 December 2012	2,238
At 31 December 2012:	
Cost	2,238
Accumulated amortisation and impairment	–
Net carrying amount	2,238

21. INVESTMENTS IN SUBSIDIARIES

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted investments, at cost	24,532,759	21,050,076

The amounts due from subsidiaries included in the Company's current assets of HK$15,631,655,000 (2012: HK$5,640,277,000) are unsecured, interest-free and are repayable on demand or within one year. The amounts due to subsidiaries included in the Company's non-current liabilities of HK$15,197,718,000 (2012: HK$11,377,681,000) are unsecured, interest-free and are not repayable within one year, except for the amounts of HK$3,673,460,000 (2012: Nil) and HK$3,858,698,000 (2012: Nil) which are interest-bearing at 5.1% and 7.78% per annum respectively.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Pudong Jinxin")*	The PRC/ Mainland China	US$5,600,000	50%#	–	Investment holding
Shanghai Port International Cruise Terminal Development Co., Ltd. ("SPICT")	The PRC/ Mainland China	RMB61,490,000	–	50%@	Property development
Shanghai International Shipping Service Center Co., Ltd. ("SISSC")*	The PRC/ Mainland China	RMB3,150,000,000	50%#	–	Property development
Sinochem Franshion Real Estate (Zhuhai) Co., Ltd.***	The PRC/ Mainland China	RMB490,000,000	100%	–	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/ Mainland China	US$635,000,000	100%	–	Property development
Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui")*	The PRC/ Mainland China	RMB1,355,000,000	50%#	–	Property development
Qingdao Franshion Development Co., Ltd. ("Qingdao Franshion")**	The PRC/ Mainland China	RMB100,000,000	–	100%	Investment holding
Chongqing Xingtuo development Co., Ltd.***	The PRC/ Mainland China	US$200,000,000	–	100%	Property development

21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jin Mao (Shanghai) Real Estate Co., Ltd.**	The PRC/ Mainland China	RMB1,010,000,000	–	100%	Property development
Beijing Chemsunny Property Company Limited***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property investment
Sinochem Jin Mao Property Management (Beijing) Co., Ltd.*	The PRC/ Mainland China	RMB5,000,000	85%	15%	Property management
Sinochem International Property and Hotels Management Co., Ltd.***	The PRC/ Mainland China	RMB387,600,000	25%	75%	Property management
Wangfujing Hotel Management Company Limited***	The PRC/ Mainland China	US$73,345,000	25%	75%	Hotel operation
Sinochem Franshion (Shanghai) Properties Management Company Limited***	The PRC/ Mainland China	US$8,000,000	100%	–	Investment holding
China Jin Mao Group Co., Ltd.***	The PRC/ Mainland China	RMB2,635,000,000	–	100%	Hotel operation and property investment
Shanghai Jin Mao Construction & Decoration Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of building decoration services
Jin Mao (Beijing) Real Estate Company Limited**	The PRC/ Mainland China	RMB1,600,000,000	–	100%	Hotel operation
Jin Mao Sanya Resort Hotel Company Limited**	The PRC/ Mainland China	RMB300,000,000	–	100%	Hotel operation
Beijing Franshion Rongchuang Properties Limited** ("Franshion Rongchuang")	The PRC/ Mainland China	RMB100,000,000	–	51%	Property development
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/ Mainland China	US$352,000,000	–	100%	Property development
Changsha Meixi Lake International Research and Development Limited**	The PRC/ Mainland China	RMB10,000,000	–	80%	Property development

21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Changsha Xing Mao Development Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Land development
Sanya Yazhouwan Economic Development Company Limited ("Sanya Yazhouwan")**	The PRC/ Mainland China	RMB160,000,000	–	51%	Land development
Jin Mao Sanya Tourism Company Limited**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Jin Mao Shenzhen Hotel Investment Company Limited**	The PRC/ Mainland China	RMB700,000,000	–	100%	Hotel operation
Jin Mao (Li Jiang) Zhi Ye Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Jin Mao Investment (Changsha) Co., Ltd. ("Jin Mao Changsha")**	The PRC/ Mainland China	RMB3,750,000,000	–	80%	Land development
Franshion Capital Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Development Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Investment Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Brilliant Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Premier Action International Ltd.	British Virgin Islands/Hong Kong	US$100	80%	–	Investment holding
Enhanced Experience Limited	British Virgin Island/Hong Kong	US$100	51%	–	Investment holding

21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Changsha Franshion Shengrong Properties Limited**	The PRC/ Mainland China	RMB50,000,000	–	100%	Property development
Shanghai Yingtan Investment Limited**	The PRC/ Mainland China	RMB21,000,000	–	100%	Investment holding
Changsha Jin Yue Development Limited**	The PRC/ Mainland China	RMB150,000,000	–	70%	Property development
Franshion Properties (Suzhou) Limited***	The PRC/ Mainland China	USD395,000,000	–	80%	Property development
Franshion Properties (Ningbo) Limited***	The PRC/ Mainland China	USD146,300,000	–	60%	Property development
Shanghai Xingwaitan Development and Construction Limited*	The PRC/ Mainland China	RMB6,000,000,000	–	50%#	Property development
Beijing Franshion Yicheng Properties Limited ("Franshion Yicheng")**	The PRC/ Mainland China	RMB1,742,800,000	–	51%	Property development
Leading Holdings Limited	British Virgin Islands/ Hong Kong	US$40,000	–	51%	Investment holding
Nanjing International Group Limited**	The PRC/ Mainland China	RMB1,246,237,500	–	49%@	Property development, Hotel operation and property investment

* Registered as Sino-foreign joint ventures under PRC law

** Registered as limited liability companies under PRC law

*** Registered as wholly-foreign-owned entities under PRC law

\# The Group controls the boards of directors of these entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over the entities' operating and financing activities.

@ The entity is being a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

During the year, the Group acquired Leading Holdings Limited and its subsidiaries from Bateson Investment Limited. Further details of this acquisition are included in note 39 to the financial statements.

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

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

	SISSC HK\$'000	Shanghai Yin Hui HK\$'000	Franshion Rongchuang HK\$'000	Jin Mao Changsha HK\$'000
2013				
Percentage of equity interest held by non-controlling interests	50%	50%	49%	20%
Profit/(loss) for the year allocated to non-controlling interests	(2,226)	666,093	(28,311)	470,381
Dividends declared to non-controlling interests	–	544,843	–	272,076
Accumulated balances of non-controlling interests at the reporting date	1,981,387	1,599,963	8,538	1,235,332

	Pudong Jinxin& HK\$'000	SISSC HK\$'000	Shanghai Yin Hui HK\$'000	Franshion Rongchuang HK\$'000	Jin Mao Changsha HK\$'000
2012					
Percentage of equity interest held by non-controlling interests	50%	50%	50%	49%	20%
Profit/(loss) for the year allocated to non-controlling interests	202,325	(5,572)	609,614	(24,181)	83,637
Dividends declared to non-controlling interests	–	–	–	–	162,118
Accumulated balances of non-controlling interests at the reporting date	702,766	1,923,448	1,431,940	36,173	1,002,451

Notes to Financial Statements
31 December 2013

21. INVESTMENTS IN SUBSIDIARIES (Continued)

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

	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2013				
Revenue	–	3,799,024	–	8,382,622
Total expenses	(4,451)	(2,466,838)	(57,778)	(6,030,715)
Profit/(loss) for the year	(4,451)	1,332,186	(57,778)	2,351,907
Total comprehensive income for the year	(115,879)	1,425,733	(56,399)	2,524,782
Current assets	5,350,090	3,453,711	7,602,538	14,630,871
Non-current assets	1,536	1,921,328	37,206	1,673,579
Current liabilities	(1,134,471)	(2,175,113)	(7,378,747)	(3,933,636)
Non-current liabilities	(254,380)	–	(243,573)	(6,194,153)
Net cash flows from/(used in) operating activities	(517,355)	1,342,749	916,039	4,797,084
Net cash flows used in investing activities	(383)	(645,927)	(1,193,133)	(1,388,368)
Net cash flows from/(used in) financing activities	522,387	(1,239,374)	132,440	(1,748,475)
Net increase/(decrease) in cash and cash equivalents	4,649	(542,552)	(144,654)	1,660,241

	Pudong Jinxin[&] HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2012					
Revenue	1,539,234	–	2,973,768	–	2,810,303
Total expenses	(1,134,584)	(11,145)	(1,754,540)	(49.350)	(2,392,120)
Profit/(loss) for the year	404,650	(11,145)	1,219,228	(49.350)	418,183
Total comprehensive income for the year	405,771	(4,206)	1,223,627	(49,086)	450,460
Current assets	4,027,178	4,080,944	3,340,159	5,064,452	13,524,297
Non-current assets	371,141	1,589	999,414	17,911	267,197
Current liabilities	(2,992,787)	(235,637)	(1,324,117)	(4,638,550)	(2,372,243)
Non-current liabilities	–	–	(151,576)	(369,990)	(6,406,994)
Net cash flows from/(used in) operating activities	587,784	(91,744)	1,640,695	(61,558)	(689,090)
Net cash flows used in investing activities	(362,064)	(534)	(850,977)	(1,636)	(263,158)
Net cash flows from/(used in) financing activities	(407,171)	152,717	(13,894)	740,451	350,438
Net increase/(decrease) in cash and cash equivalents	(181,451)	60,439	775,824	677,257	(601,810)

[&] The construction and sales work were fully completed before 2013, and the Group considered it would not be material since 2013.

22. INVESTMENTS IN JOINT VENTURES

Joint ventures

	Group 2013 HK$'000	Group 2012 HK$'000
Share of net assets	42,052	38,516

The amounts due from and to joint ventures are disclosed in note 26 to the financial statements.

Particulars of the Group's joint ventures are as follows:

Name	Registered and paid-in capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shanghai Jin Mao Jin Jiang Automobile Service Company Limited	RMB22,000,000	The PRC/ Mainland China	50%	57%	50%	Lease of commercial vehicles
Shanghai Jin Mao Auto Hire Company Limited	RMB2,000,000	The PRC/ Mainland China	45%	57%	45%	Lease of commercial vehicles

The joint ventures of the Group are considered not individually material and the following table illustrates the aggregate financial information of the joint ventures:

	2013 HK$'000	2012 HK$'000
Share of the joint ventures' profit for the year	2,293	2,463
Share of the joint ventures' total comprehensive income for the year	2,293	2,463
Aggregate carrying amount of the Group's investments in the joint ventures	42,052	38,516

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Franshion, an indirect wholly-owned subsidiary of the Company established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Franshion agreed to inject RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, by way of capital injection to subscribe for its new registered capital.

22. INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

On 28 July 2011, Qingdao Franshion completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to its newly registered capital. On the same day, Qingdao Franshion and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, in which branch 1 would be unilaterally managed and controlled by Qingdao Franshion in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

The Group assessed this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Non-current assets		
Property, plant and equipment	3,186	4,210
Properties under development	1,905,681	1,860,205
Deferred tax assets	26,543	10,492
Total non-current assets	1,935,410	1,874,907
Current assets		
Properties held for sale	1,458,190	–
Properties under development	625,138	1,401,318
Prepayments, deposits and other receivables	75,315	21,840
Prepaid tax	53,843	–
Restricted bank balances	40,966	3,704
Cash and cash equivalents	232,206	222,968
Total current assets	2,485,658	1,649,830
Current liabilities		
Trade payables	169,530	188,295
Other payables and accruals	1,938,260	361,163
Total current liabilities	2,107,790	549,458
Net current assets	377,868	1,100,372
Total assets less current liabilities	2,313,278	2,975,279
Net assets	2,313,278	2,975,279

22. INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

	2013 HK$'000	2012 HK$'000
Other income and gains	2,555	1,818
Selling and marketing expenses	(43,319)	(31,774)
Administrative expenses	(16,879)	(10,111)
Loss before tax	(57,643)	(40,067)
Income tax	16,576	10,459
Loss for the year	(41,067)	(29,608)

23. INVENTORIES

	Group	
	2013 HK$'000	2012 HK$'000
Raw materials	8,462	7,971
Consumables and tools	1,061	1,350
Hotel merchandise	18,681	18,542
Trading stock	3,373	1,692
	31,577	29,555

24. TRADE RECEIVABLES

	Group	
	2013 HK$'000	2012 HK$'000
Trade receivables	4,221,547	2,005,562
Impairment	(19,533)	(2,488)
	4,202,014	2,003,074

Consideration in respect of properties sold is payable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

24. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	Group 2013 HK$'000	2012 HK$'000
Within 1 month	2,356,923	1,857,637
1 to 3 months	1,624,352	59,702
4 to 6 months	7,907	35,963
Over 6 months	212,832	49,772
	4,202,014	2,003,074

The Group has pledged trade receivables of approximately HK$40,894,000 (2012: Nil) to secure a bank loan granted to the Group (Note 32).

The movements in provision for impairment of trade receivables are as follows:

	Group 2013 HK$'000	2012 HK$'000
At 1 January	2,488	2,194
Impairment losses recognised (note 6)	16,794	319
Amount written off as uncollectible	(96)	(25)
Exchange realignment	347	–
	19,533	2,488

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$19,533,000 (2012: HK$2,488,000) with a carrying amount before provision of HK$19,533,000 (2012: HK$2,488,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group 2013 HK$'000	2012 HK$'000
Neither past due nor impaired	4,179,043	2,001,071
Less than 1 month past due	6,031	–
1 to 3 months past due	16,746	–
Over 3 months past due	194	2,003
	4,202,014	2,003,074

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

24. TRADE RECEIVABLES (Continued)

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

At 31 December 2013, the Group's trade receivables included gross amounts due from contract customers of HK$181,778,000 (2012: HK$161,304,000), being the difference between the contract costs incurred for the rendering of services, plus recognised profits less recognised losses to date, of HK$808,084,000 (2012: HK$709,356,000), and the progress billing amount of HK$626,306,000 (2012: HK$548,052,000).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Prepayments	1,759,235	425,114	30,016	20,603
Deposits	1,273,157	1,112,589	139	–
Other receivables	290,223	43,405	–	6,716
Due from non-controlling shareholders	1,664,531	521,709	–	–
Entrustment loans to third parties	236,828	247,129	–	–
Prepaid land lease payments (note 19)	62,499	51,006	–	–
	5,286,473	2,400,952	30,155	27,319

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amounts of HK$747,877,000, HK$508,760,000, HK$127,190,000 and HK$60,641,000 which bear interest at 3.08%, 3.5%, 3%, and 6.6% per annum, respectively (2012: an amount of HK$308,325,000 which was interest-bearing at 3.5% per annum).

The entrustment loans to third parties are unsecured, interest-bearing at 6% per annum (2012: 6% per annum) and repayable within one year.

26. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Due from related parties:				
Ultimate holding company	1	–	–	–
Intermediate holding company	7,425	6,820	–	–
Immediate holding company	1,008	718	1,008	718
Fellow subsidiaries	2,402	2,713	–	–
Joint ventures	954	2,109	–	–
	11,790	12,360	1,008	718
Due to related parties:				
Ultimate holding company	2,520	2,443	–	–
Intermediate holding company	23,301	22,196	–	–
Immediate holding company	3,334,435	–	3,334,435	–
Fellow subsidiaries	77,514	74,438	–	–
Joint ventures	5,834	557	–	–
	3,443,604	99,634	3,334,435	–

All the balances are unsecured, interest-free and are repayable on demand.

27. OTHER FINANCIAL ASSETS

	Group	
	2013 HK$'000	2012 HK$'000
Non-current balance	42,629	41,335
Current balance	131,324	123,330
	173,953	164,665

The current balance of other financial assets represented 1) financial products with original maturity of within three months when acquired from banks, amounting to HK$22,576,000 (2012: HK$123,330,000) and 2) a right to acquire non-controlling interests of 49% interests in Franshion Yicheng, which was measured at fair value of HK$108,748,000 (2012: Nil) at 31 December 2013.

The non-current balance of other financial assets represented the amounts recoverable from non-controlling shareholders as estimated by management in relation to the acquisition of Sanya Yazhouwan in 2012. The balance is not repayable within one year.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2013	2012	2013	2012
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances		12,403,941	8,407,987	222,438	272,797
Time deposits		2,389,421	5,056,438	744,273	3,079,089
		14,793,362	13,464,425	966,711	3,351,886
Less:					
Pledged time deposits for short term bank loans	32	–	(220,761)	–	–
Restricted bank balances		(303,400)	(355,222)	–	–
		(303,400)	(575,983)	–	–
Cash and cash equivalents		14,489,962	12,888,442	966,711	3,351,886

At 31 December 2013, the cash and bank balances of the Group denominated in RMB amounted to HK$12,157,890,000 (2012: HK$8,101,984,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of HK$2,249,558,000 (2012: HK$245,093,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.385% to 1.265% per annum (2012: 0.385% to 1.485%). Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 43(a) to the financial statements.

29. DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts due from non-controlling shareholders are secured, interest-bearing at a rate of 8.54% and are not repayable within one year.

30. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Within 1 year or on demand	4,861,045	2,182,354
1 to 2 years	45,781	338,889
2 to 3 years	393,327	–
Over 3 years	4,017	4,469
	5,304,170	2,525,712

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Other payables	2,237,489	1,647,993	12,002	8,900
Receipts in advance	16,749,083	8,235,344	–	–
Accruals	79,115	72,624	12,914	8,671
Due to non-controlling shareholders	1,860,748	1,823,865	–	–
Dividend payable to non-controlling shareholders	22,087	162,632	–	–
	20,948,522	11,942,458	24,916	17,571

Other payables are non-interest-bearing with an average term of not more than one year.

The amounts due to non-controlling shareholders are unsecured, interest-free and are repayable on demand. The amounts due to non-controlling shareholders at 31 December 2012 were unsecured, interest-free and were repayable within one year, except for an amount of HK$1,088,320,000 which bore interest at 6% per annum and was repayable on demand.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans, secured	–	–	–	4.20	2013	204,697
Bank loans, unsecured	2.65-6.31	2014	3,117,150	3.72-5.85	2013	3,272,962
Other loans, unsecured*	5.04	2014	254,380	5.04	2013	246,660
Current portion of long term bank loans, secured	5.76-7.05	2014	2,737,129	5.54-7.05	2013	2,698,250
Current portion of long term bank loans, unsecured	6.40	2014	30,525	1.78-6.15	2013	2,529,607
			6,139,184			8,952,176
Non-current						
Bank loans, secured	5.54-7.05	2015-2025	12,986,739	5.54-7.05	2014-2021	11,616,950
Bank loans, unsecured	1.78-3.70	2015-2017	4,936,383	–	–	–
Other loans, unsecured*	6.40	2015-2018	165,347	–	–	–
Notes, unsecured	4.83-6.85	2017-2022	11,578,482	4.83-6.85	2017-2021	7,706,296
			29,666,951			19,323,246
			35,806,135			28,275,422

* The balance represents amounts due to a fellow subsidiary of the Company.

Company

	2013			2012		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans, unsecured	2.65-2.78	2014	775,450	1.78-1.98	2013	2,492,608
Non-current						
Bank loans, unsecured	1.78-3.70	2015-2017	4,936,383	–	–	–
			5,711,833			2,492,608

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year	5,884,804	8,705,516	775,450	2,492,608
In the second year	1,776,004	2,253,856	4,936,383	–
In the third to fifth years, inclusive	11,798,493	5,094,643	–	–
Beyond five years	4,348,625	4,268,451	–	–
	23,807,926	20,322,466	5,711,833	2,492,608
Other borrowings repayable:				
Within one year	254,380	246,660	–	–
In the second year	–	–	–	–
In the third to fifth years, inclusive	6,342,415	3,854,157	–	–
Beyond five years	5,401,414	3,852,139	–	–
	11,998,209	7,952,956	–	–
	35,806,135	28,275,422	5,711,833	2,492,608

Notes:

(a) The Group's loan facilities amounting to HK$50,226,264,000 (2012: HK$36,734,325,000), of which HK$27,135,231,000 (2012: HK$19,644,151,000) had been utilised as at the end of the reporting period, are secured by the Group's hotel properties, buildings, properties under development, properties held for sale, investment properties, prepaid land lease payments and trade receivables.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's hotel properties and buildings which had an aggregate net carrying value at the end of the reporting period of approximately HK$5,003,629,000 (2012: HK$3,583,791,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately HK$12,065,182,000 (2012: HK$4,928,638,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$275,662,000 (2012: HK$1,427,161,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately HK$14,770,708,000 (2012: HK$10,406,408,000);

(v) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of HK$345,385,000 (2012: HK$108,161,000);

(vi) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at the end of the reporting period of HK$40,894,000 (2012: Nil); and

(vii) the pledge of certain of the Group's time deposits of HK$220,761,000 as at 31 December 2012.

(c) Except for the bank and other borrowings amounting to approximately HK$17,247,850,000 (2012: HK$10,156,313,000) which are denominated in United States dollars and HK$400,000,000 (2012: HK$400,000,000) which are denominated in Hong Kong dollars, all bank and other borrowings are denominated in RMB.

33. PROVISION FOR LAND APPRECIATION TAX

Group

	HK$'000
At 1 January 2012	483,717
Charge to the statement of profit or loss during the year (note 10)	1,145,318
Payment during the year	(513,956)
Transfer from prepaid tax	(71,583)
Exchange realignment	1,698
At 31 December 2012 and 1 January 2013	1,045,194
Acquisition of a subsidiary (note 39)	35,216
Charge to the statement of profit or loss during the year (note 10)	1,285,905
Payment during the year	(206,342)
Transfer from prepaid tax	(17,479)
Exchange realignment	50,624
At 31 December 2013	2,193,118

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the sales and pre-sales proceeds of the Group's properties.

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

Notes to Financial Statements
31 December 2013

34. DEFERRED TAX

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

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustment arising from acquisition of subsidiary HK$'000	Withholding taxes HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax liabilities at 1 January 2012	2,144,404	360,319	–	20,937	–	2,525,660
Deferred tax charged to the statement of profit or loss during the year (note 10)	407,527	36,417	–	64,414	–	508,358
Deferred tax charged to the statement of comprehensive income during the year	2,363	–	–	–	–	2,363
Exchange realignment	956	58	–	(3)	–	1,011
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	2,555,250	396,794	–	85,348	–	3,037,392
Acquisition of a subsidiary (note 39)	–	–	804,561	–	2,227	806,788
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	465,384	45,380	(16,128)	(11,982)	24	482,678
Deferred tax charged to the statement of comprehensive income during the year	3,941	–	–	–	–	3,941
Exchange realignment	87,485	13,151	23,443	655	66	124,800
Gross deferred tax liabilities at 31 December 2013	3,112,060	455,325	811,876	74,021	2,317	4,455,599

34. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Provision for LAT HK$'000	Losses available for offsetting against future taxable profits HK$'000	Unrealised profit arising from intra-group transactions HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax assets at 1 January 2012	118,784	4,676	115,393	22,864	261,717
Deferred tax credited to the statement of profit or loss during the year (note 10)	142,080	62,364	664	47,534	252,642
Exchange realignment	431	198	(205)	336	760
Gross deferred tax assets at 31 December 2012 and 1 January 2013	261,295	67,238	115,852	70,734	515,119
Acquisition of a subsidiary (note 39)	8,804	4,223	–	–	13,027
Deferred tax credited to the statement of profit or loss during the year (note 10)	265,459	118,099	116,216	1,385	501,159
Exchange realignment	12,722	4,135	5,502	2,234	24,593
Gross deferred tax assets at 31 December 2013	548,280	193,695	237,570	74,353	1,053,898

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2013 HK$'000	2012 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	951,253	427,852
Net deferred tax liabilities recognised in the consolidated statement of financial position	(4,352,954)	(2,950,125)
	(3,401,701)	(2,522,273)

The Group also has tax losses arising in Mainland China of HK$342,685,000 (2012: HK$305,967,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

34. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2013, the Group recognised deferred tax liabilities of approximately HK$74,021,000 (2012: HK$85,348,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$7,250,306,000 at 31 December 2013 (2012: HK$3,655,689,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. PERPETUAL CONVERTIBLE SECURITIES

On 12 October 2010, Franshion Capital Limited, a direct wholly-owned subsidiary of the Company, issued perpetual convertible securities with a nominal value of US$600 million (equivalent to HK$4,655,166,000). There was no movement in the number of perpetual convertible securities during the year. The direct transaction costs attributable to the perpetual convertible securities amounted to HK$67,166,000.

The perpetual convertible securities are convertible at the option of the holders of perpetual convertible securities into ordinary shares of the Company at any time on or after 11 October 2011 at the initial conversion price of HK$2.83 per ordinary share of the Company. While the perpetual convertible securities confer a right to receive distributions at 6.8% per annum, Franshion Capital Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the perpetual convertible securities.

The perpetual convertible securities have no maturity date and are redeemable at the option of Franshion Capital Limited at any time after 11 October 2015 at 110% of the outstanding principal amount, together with all outstanding arrears of distribution (if any) and the distribution accrued to the date fixed for redemption. The perpetual convertible securities are also redeemable at the option of the holders of perpetual convertible securities upon any delisting or prolonged suspension (for a period of 90 consecutive days) arising from or as a result of an application to the Stock Exchange having been initiated or made by the Company or such delisting or prolonged suspension having been effected or imposed through any other means controlled by the Company or otherwise resulting from any action of the Company.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual convertible securities due to redemption other than an unforeseen liquidation of the Company or Franshion Capital Limited. Accordingly, the perpetual convertible securities are classified as equity instruments.

36. SHARE CAPITAL

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$1 each	20,000,000	20,000,000
Issued and fully paid:		
9,161,489,489 ordinary shares of HK$1 each	9,161,489	9,161,489

There was no movement in share capital during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors and the Group's senior management, key technical and professional personnel, managers and employees, but do not include the Company's independent non-executive directors. The Scheme became effective on 22 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of the Company. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

37. SHARE OPTION SCHEME (Continued)

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

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

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

	2013		2012	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	2.46	59,530,077	3.37	2,764,688
Granted during the year	–	–	2.44	58,267,500
Forfeited during the year	2.47	(2,930,807)	3.37	(1,502,111)
At 31 December	2.46	56,599,270	2.46	59,530,077

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

2013

Number of options	Exercise price* HK$ per share	Exercise period
1,180,270	3.37	5 May 2010 to 4 May 2015
16,625,700	2.44	28 November 2014 to 27 November 2019
16,625,700	2.44	28 November 2015 to 27 November 2019
22,167,600	2.44	28 November 2016 to 27 November 2019
56,599,270		

2012

Number of options	Exercise price* HK$ per share	Exercise period
1,262,577	3.37	5 May 2010 to 4 May 2015
17,480,250	2.44	28 November 2014 to 27 November 2019
17,480,250	2.44	28 November 2015 to 27 November 2019
23,307,000	2.44	28 November 2016 to 27 November 2019
59,530,077		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

37. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during the year ended 31 December 2012 was HK$51,858,000 (HK$0.89 each), of which the Group recognised a share option expense of HK$18,150,000 (2012: HK$1,513,000) during the year ended 31 December 2013.

The fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000, of which no share option expense was recognised (2012: HK$379,000) during the year ended 31 December 2013.

At the end of the reporting period, the Company had 56,599,270 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 56,599,270 additional ordinary shares of the Company and additional share capital of HK$56,599,000 and share premium of approximately HK$82,601,000 (before issue expenses).

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 163 to 164 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Asset revaluation reserve

The asset revaluation reserve arose from change in use from owner-occupied properties to investment properties carried at fair value.

Share option reserve

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

38. RESERVES (Continued)

(b) Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012		6,109,789	3,410	336,091	6,449,290
Total comprehensive income for the year	11	–	–	572,072	572,072
Equity-settled share option arrangements	37	–	1,892	–	1,892
Transfer of share option reserve upon the forfeiture or expiry of share options		–	(2,060)	2,060	–
Proposed final 2012 dividend		–	–	(641,304)	(641,304)
At 31 December 2012 and at 1 January 2013		6,109,789	3,242	268,919	6,381,950
Total comprehensive income for the year	11	–	–	1,334,076	1,334,076
Equity-settled share option arrangements	37	–	18,150	–	18,150
Transfer of share option reserve upon the forfeiture or expiry of share options		–	(1,074)	1,074	–
Proposed final 2013 dividend	12	–	–	(870,342)	(870,342)
At 31 December 2013		6,109,789	20,318	733,727	6,863,834

39. BUSINESS COMBINATION

On 4 February 2013, the Group acquired a 51% interest in Leading Holdings Limited from Bateson Investment Limited. Leading Holdings Limited and its subsidiaries (the "Leading Group") are engaged in the development, construction and operation of a real estate project in Nanjing, the PRC. The purchase consideration for the acquisition was in the form of cash, with RMB181,000,000 paid at the acquisition date and the remaining RMB635,000,000 to be paid upon the fulfilment of certain conditions as agreed between the Group and Bateson Investment Limited.

The Group has elected to measure the non-controlling interest in the Leading Group at the non-controlling interest's proportionate share of the Leading Group's identifiable net assets.

39. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of the Leading Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	14	2,219,608
Investment properties	18	2,789,903
Prepaid land lease payments	19	235,249
Intangible assets	20	4,561
Properties held for sale		482,794
Inventories		1,723
Trade receivables		15,617
Prepayments, deposits and other receivables		343,867
Prepaid tax		35,162
Restricted bank balances		573,549
Cash and cash equivalents		45,827
Trade payables		(204,864)
Other payables and accruals		(1,002,711)
Interest-bearing bank and other borrowings		(2,292,604)
Provision for land appreciation tax	33	(35,216)
Tax payable		(212)
Deferred tax liabilities	34	(793,761)
Total identifiable net assets at fair value		2,418,492
Non-controlling interests		(1,267,412)
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	5	(142,912)
		1,008,168
Satisfied by:		
Cash		223,626
Other payables		784,542
		1,008,168

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$15,617,000 and HK$46,948,000, respectively, which are equal to their gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of HK$1,479,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group recognised a gain on bargain purchase of approximately HK$142,912,000 in the consolidated statement of profit or loss for the year ended 31 December 2013, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with Bateson Investment Limited, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

39. BUSINESS COMBINATION (Continued)

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(223,626)
Cash and cash equivalents acquired	45,827
Net outflow of cash and cash equivalents included in cash flows from investing activities	(177,799)
Transaction costs of the acquisition included in cash flows from operating activities	(1,479)
	(179,278)

Since the acquisition, the Leading Group contributed HK$404,030,000 to the Group's turnover and HK$40,987,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$20,847,857,000 and HK$5,056,966,000, respectively.

40. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$5,158,048,000 (2012: HK$1,638,383,000).

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18) under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Within one year	1,068,427	1,110,471
In the second to fifth years, inclusive	735,626	1,185,721
After five years	29,112	6,887
	1,833,165	2,303,079

41. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group and the Company leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Within one year	34,206	14,123	4,110	517
In the second to fifth years, inclusive	38,708	17,437	–	248
	72,914	31,560	4,110	765

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013 HK$'000	2012 HK$'000
Contracted, but not provided for:		
Properties under development	7,885,169	8,869,629
Land under development	307,546	397,599
Property, plant and equipment	845,130	8,133
	9,037,845	9,275,361

	Group	
	2013 HK$'000	2012 HK$'000
Authorised, but not contracted:		
Properties under development	–	–

Notes to Financial Statements
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43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	2013 HK$'000	2012 HK$'000
Fellow subsidiaries:			
Rental income	(i)	230,213	202,664
Property management fee income	(i)	21,813	18,052
Interest expense	(ii)	18,429	11,307
Interest income	(iii)	2,548	6,058
The immediate holding company:			
Rental expense	(i)	3,692	2,532
The intermediate holding company:			
Rental income	(i)	79,083	76,578
Property management fee income	(i)	14,564	14,287
The ultimate holding company:			
Rental income	(i)	9,631	8,997
Property management fee income	(i)	484	527

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expense was charged at rates ranging from 5.04% to 6.40% (2012: 6.40% to 6.65%) per annum.

(iii) The interest income was determined at rates ranging from 0.385% to 1.265% (2012: 0.385% to 1.485%) per annum.

(b) Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short term employee benefits	34,876	21,771
Post-employment benefits	2,875	2,118
Equity-settled share option expense	4,984	534
Total compensation paid to key management personnel	42,735	24,423

43. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group (Continued)

The number of non-director and non-chief executive, key management personnel whose remuneration fell within the following bands is as follows:

	Number of key management personnel 2013	2012
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	4	3
HK$2,500,001 to HK$3,000,000	3	2
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	1	–
HK$4,000,001 to HK$4,500,000	1	–
	10	7

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(c) Transactions and balances with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management service and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

The related party transactions in respect of all items in note 43(a) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group					
	2013			2012		
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000
Financial assets						
Trade receivables	–	4,202,014	4,202,014	–	2,003,074	2,003,074
Financial assets included in prepayments, deposits and other receivables (note 25)	–	3,464,739	3,464,739	–	1,924,832	1,924,832
Due from related parties	–	11,790	11,790	–	12,360	12,360
Due from non-controlling shareholders	–	254,380	254,380	–	123,330	123,330
Other financial assets	173,953*	–	173,953	164,665*	–	164,665
Restricted bank balances	–	303,400	303,400	–	355,222	355,222
Pledged deposits	–	–	–	–	220,761	220,761
Cash and cash equivalents	–	14,489,962	14,489,962	–	12,888,442	12,888,442
	173,953	22,726,285	22,900,238	164,665	17,528,021	17,692,686

* These other financial assets were designated as financial assets at fair value through profit or loss upon initial recognition.

	Group	
	2013	2012
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities		
Trade payables	5,304,170	2,525,712
Financial liabilities included in other payables and accruals (note 31)	4,120,324	3,634,490
Due to related parties	3,443,604	99,634
Interest-bearing bank and other borrowings	35,806,135	28,275,422
	48,674,233	34,535,258

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

	Company	
	2013 Loans and receivables HK$'000	2012 Loans and receivables HK$'000
Financial assets		
Due from subsidiaries	15,631,655	5,640,277
Financial assets included in prepayments, deposits and other receivables (note 25)	139	6,716
Due from related parties	1,008	718
Cash and cash equivalents	966,711	3,351,886
	16,599,513	8,999,597

	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities		
Due to subsidiaries	15,197,718	11,377,681
Financial liabilities included in other payables and accruals (note 31)	12,002	8,900
Due to related parties	3,334,435	–
Interest-bearing bank and other borrowings	5,711,833	2,492,608
	24,255,988	13,879,189

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Financial assets				
Other financial assets (current) – call option	108,748	–	108,748	–
Other financial assets (non-current)	42,629	41,335	42,629	41,335
	151,377	41,335	151,377	41,335
Financial liabilities				
Interest-bearing bank and other borrowings	35,806,135	28,275,422	35,936,278	28,613,668

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Company

	Carrying amounts		Fair values	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Financial liabilities				
Interest-bearing bank and other borrowings	5,711,833	2,492,608	5,711,833	2,492,608

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, trade receivables, amounts due from non-controlling shareholders, financial assets included in prepayments, deposits and other receivables, financial product included in other financial assets, trade payables, financial liabilities included in other payables and accruals, amounts due from subsidiaries, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings except for notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

The fair value of call option included in current other financial assets has been estimated using residual method. Residual method measures the fair value of the property by deducting the estimated development costs including outstanding construction costs, marketing expense and developer profit from the gross development value assuming that it was completed as of the valuation date. The fair value of non-current other financial assets has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, are reasonable and that they were the most appropriate values at the end of the reporting period.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant unobservable inputs	Sensitivity of the input to fair value
Other financial assets Non-current balance	Discounted cash flow method	Discount rate for cash flows	5% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$2,754,000
Other financial assets Current balance – Call option	Residual method	Average selling price per sqm for the property, taking into account of location and properties' quality	5% increase (decrease) in average selling price would result in increase (decrease) in fair value by HK$9,359,000
		Construction cost, taking into account of management's experience and estimated budget	5% increase (decrease) in construction cost would result in decrease (increase) in fair value by HK$3,484,000

Notes to Financial Statements
31 December 2013

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement using significant unobservable inputs (Level 3)

	Group	
	2013 HK$'000	2012 HK$'000
Other financial assets (current) – call option	108,748	–
Other financial assets (non-current)	42,629	41,335
	151,377	41,335

The Group's assets were neither categorised in Level 1 nor Level 2 as at 31 December 2013 (2012: Nil).

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

	Group	
	2013 HK$'000	2012 HK$'000
Other financial assets:		
At 1 January	41,335	–
Purchases	108,748	41,335
Exchange realignment	1,294	–
At 31 December	151,377	41,335

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

The Company did not have any financial assets measured at fair value as at 31 December 2013 (2012: Nil).

Liabilities measured at fair value:

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2013 (2012: Nil).

Assets for which fair value are disclosed:

The Group and the Company did not have any financial assets that were not measured at fair value in the statement of financial position but for which the fair value is disclosed as at 31 December 2013 (2012: Nil).

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities for which fair value are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	11,708,625	24,227,653	–	35,936,278

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	8,044,542	20,569,126	–	28,613,668

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	5,711,833	–	5,711,833

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	2,492,608	–	2,492,608

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain approximately 30% of its interest-bearing borrowings at fixed interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

	Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
31 December 2013				
RMB	27	(43,420)	27	–
USD	27	(10,278)	27	(10,115)
HKD	27	(410)	27	(410)
RMB	(27)	43,420	(27)	–
USD	(27)	10,278	(27)	10,115
HKD	(27)	410	(27)	410
31 December 2012				
RMB	27	(39,755)	27	–
USD	27	(2,250)	27	(2,193)
HKD	27	(1,092)	27	(1,092)
RMB	(27)	39,755	(27)	–
USD	(27)	2,250	(27)	2,193
HKD	(27)	1,092	(27)	1,092

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration of Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits denominated in United States dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and the Group may not be able to hedge the Group's exposure successfully, or at all.

Notes to Financial Statements
31 December 2013

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and United States dollars ("US$") on the Group's profits for the years ended 31 December 2013 and 2012.

	Group	
Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2013 HK$'000	Increase/ (decrease) in profit for the year 2012 HK$'000
+1%	(156,181)	(77,908)
-1%	156,181	77,908

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2013 and 2012.

	Group	
Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2013 HK$'000	Increase/ (decrease) in profit for the year 2012 HK$'000
+5%	(14,998)	(10,056)
-5%	14,998	10,056

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk arising from its land development revenue, the sale of properties, leasing activities, the provision of hotel and property management services and its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

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

Group

			2013		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	7,802,200	3,522,464	21,120,597	11,365,997	43,811,258
Trade payables	5,304,170	–	–	–	5,304,170
Other payables	4,120,324	–	–	–	4,120,324
Due to related parties	3,443,604	–	–	–	3,443,604
	20,670,298	3,522,464	21,120,597	11,365,997	56,679,356

			2012		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	10,341,133	3,412,558	11,763,998	9,360,132	34,877,821
Trade payables	2,525,712	–	–	–	2,525,712
Other payables	3,634,490	–	–	–	3,634,490
Due to related parties	99,634	–	–	–	99,634
	16,600,969	3,412,558	11,763,998	9,360,132	41,137,657

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2013 Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	928,757	522,296	4,595,643	–	6,046,696
Other payables	12,002	–	–	–	12,002
Due to subsidiaries	–	–	15,197,718	–	15,197,718
Due to related parties	3,334,435	–	–	–	3,334,435
	4,275,194	522,296	19,793,361	–	24,590,851

	2012 Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	2,515,368	–	–	–	2,515,368
Other payables	8,900	–	–	–	8,900
Due to subsidiaries	–	–	11,377,681	–	11,377,681
	2,524,268	–	11,377,681	–	13,901,949

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and pledged deposits and certain other financial assets included in current assets. Adjusted capital comprises all components of equity (including non-controlling interests) and amounts due to related parties. The Group aims to maintain the debt-to-adjusted-capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

		Group	
		2013	2012
	Notes	HK$'000	HK$'000
Interest-bearing bank and other borrowings	32	35,806,135	28,275,422
Less: Cash and cash equivalents	28	(14,489,962)	(12,888,442)
Restricted bank balances and pledged deposits	28	(303,400)	(575,983)
Certain other financial assets included in current assets	27	(22,576)	(123,330)
Net debt		20,990,197	14,687,667
Total equity		47,219,456	34,502,830
Add: Amounts due to related parties	26	3,443,604	99,634
Adjusted capital		50,663,060	34,602,464
Debt-to-adjusted-capital ratio		41.4%	42.4%

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 February 2014.

Five-Year Financial Information

31 December 2013

I. MAJOR INFORMATION OF INCOME STATEMENTS

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000
RESULTS					
Revenue	6,320,902	6,348,001	6,591,692	17,175,666	20,718,913
Cost of sales	(3,021,689)	(3,045,079)	(3,016,723)	(9,976,971)	(11,518,572)
Gross profit	3,299,213	3,302,922	3,574,969	7,198,695	9,200,341
Other income and gains	485,560	1,274,375	2,672,051	1,931,279	2,355,290
Selling and marketing expenses	(254,734)	(266,686)	(307,128)	(439,132)	(623,758)
Administrative expenses	(552,500)	(640,683)	(851,250)	(968,054)	(1,161,582)
Other expenses and losses	(3,068)	(3,107)	(135,667)	(15,859)	(20,341)
Finance costs	(499,963)	(606,196)	(859,274)	(986,043)	(1,324,626)
Share of profits of joint ventures	(927)	2,900	3,619	2,463	2,293
PROFIT BEFORE TAX	2,473,581	3,063,525	4,097,320	6,723,349	8,427,617
Income tax expense	(742,484)	(931,714)	(1,186,566)	(2,783,013)	(3,393,261)
PROFIT FOR THE YEAR	1,731,097	2,131,811	2,910,754	3,940,336	5,034,356
Attributable to:					
Owners of the parent	1,174,408	1,713,616	2,344,352	3,377,727	4,227,150
Non-controlling interests	556,689	418,195	566,402	562,609	807,206
	1,731,097	2,131,811	2,910,754	3,940,336	5,034,356

II. MAJOR INFORMATION OF FINANCIAL POSITION

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000
Total non-current assets	29,025,701	35,639,777	44,803,431	44,303,165	74,122,845
Total current assets	11,116,810	15,715,375	24,967,607	38,199,079	46,720,431
Total assets	40,142,511	51,355,152	69,771,038	82,502,244	120,843,276
Total current liabilities	14,652,412	10,886,405	17,610,408	25,726,043	39,603,915
Total non-current liabilities	7,543,233	13,749,546	21,613,375	22,273,371	34,019,905
Total liabilities	22,195,645	24,635,951	39,223,783	47,999,414	73,623,820
Equity attributable to:					
Owners of the parent	16,419,645	23,124,496	26,170,749	28,877,841	33,561,884
Non-controlling interests	1,527,221	3,594,705	4,376,506	5,624,989	13,657,572
Total equity	17,946,866	26,719,201	30,547,255	34,502,830	47,219,456

PROTECT ENVIRONMENT, CREATE FUTURE TOGETHER

For the reason of good corporate citizenship, we print our 2013 Annual Report with paper from responsible source to fulfill our corporate responsibility and create a bright future for our next generation.

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