2013 ANNUAL REPORT

力高地產
REDCO REAL ESTATE

力高地產集團有限公司 REDCO PROPERTIES GROUP LIMITED

Stock Code:1622

CONTENTS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2013 RMB'000	2012 RMB'000	Change (%)
Revenue	**2,984,586**	1,550,942	92.4%
Gross profit	**966,127**	458,164	110.9%
Profit before income tax	**829,335**	316,361	162.1%
Profit for the year	**400,890**	164,957	143.0%
Attributable to: Equity holders of the Company	**400,179**	65,771	508.4%
Total Assets	**8,001,586**	5,941,385	34.7%
Cash and cash equivalents	**827,804**	703,697	17.6%
Total Bank and other borrowings	**1,453,568**	1,324,558	9.7%
Earnings per share for profit attributable to equity holders of the Company			
– Basic and diluted	**0.3**	0.1	

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HUANG Ruoqing
Mr. TANG Chengyong
Mr. HONG Duxuan

Independent non-executive directors

Dr. WONG Yau Kar, David BBS, JP
Mr. CHAU On Ta Yuen
Mr. YIP Tai Him
Mr. CHOW Kwong Fai, Edward JP

COMPANY SECRETARY

Mr. CHAN Hing Chau

AUTHORISED REPRESENTATIVES

Mr. HUANG Ruoqing
Mr. CHAN Hing Chau

AUDIT COMMITTEE

Mr. CHOW Kwong Fai, Edward JP *(Chairman)*
Mr. YIP Tai Him
Dr. WONG Yau Kar, David BBS, JP
Mr. CHAU On Ta Yuen

REMUNERATION COMMITTEE

Mr. YIP Tai Him *(Chairman)*
Mr. CHAU On Ta Yuen
Mr. HUANG Ruoqing

NOMINATION COMMITTEE

Mr. HUANG Ruoqing *(Chairman)*
Dr. WONG Yau Kar, David BBS, JP
Mr. CHAU On Ta Yuen

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

Sidley Austin
39th Floor, Two International Finance Centre
Central, Hong Kong

COMPLIANCE ADVISOR

Celestial Capital Limited
21/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

28th Floor, Block B, The Rongchao Tower
No. 6003 Yitian Road
CBD, Shenzhen
People's Republic of China

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Room 2001-2, Enterprise Square 3
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank
Bank of China
Agricultural Bank of China
Hang Seng Bank
Bank of China (Hong Kong) Limited

INVESTOR RELATIONS

Email: ir@redco.cn
Fax: (852) 2758 8392

STOCK CODE

1622

WEBSITE

www.redco.cn

LETTER TO SHAREHOLDERS

Dear Shareholders,

2013 was a year of remarkable results and rapid growth for Redco Properties Group Limited (the "Company") and its subsidiaires (the "Group"). During the year ended 31 December 2013, the Group captured market opportunities by leveraging its accurate market forecasts and effective execution capabilities and decisively implemented positive and effective marketing strategies while adhering to the principle of stable operations. Revenue for the year was RMB2,984.6 million, representing an increase of 92.4% over 2012. Gross profit margin increased to 32.4% from 29.5% for the previous year. Profit attributable to shareholders was RMB400.2 million, representing a sharp increase of 508.4% over the previous year. Return on equity increased to 45% from 12% for the previous year.

The board of Directors recommended the payment of a final dividend of RMB0.05 per Share, approximately RMB80 million in aggregate for the year ended 31 December 2013.

BUSINESS REVIEW

Market and Sales Performance

In 2013, the overall operation of the macroeconomy of China was stable with a significant increase in real estate investment. According to the statistics released by the National Bureau of Statistics, total investment in real estate development in China was RMB8.6 trillion in 2013, representing an increase of 19.8% over the previous year. With an increase in the disposable income of residents and the acceleration of urbanization, the real estate market in China generally showed a situation of rises in both quantity and price. The real estate market as a whole had a positive outlook. Both supply and demand were strong in key cities. Amidst the new round of rapid expansion of the real estate market in China, the Group has always been targeting customers who are first-time home buyers or customers with a need to upgrade the living environment, thus better meeting market demand and achieving a substantial increase in both income and earnings.

In 2013, the Group achieved contracted sales of RMB3,107.7 million, representing an increase of 29.1% over the previous year. The new construction areas were 580,000 sq.m., which are located in cities such as Nanchang, Hefei, Jinan, Yantai, Xianyang and Tianjin. The GFA completed and delivered during the year was 480,000 sq.m., representing an increase of 85.5% over the previous year.

Financial Management

In 2013, the Group continued to maintain a prudent and sound financial position and strictly controlled the gearing level and interest rates while ensuring sufficient cash flows. As of 31 December 2013, the Group's net debt to equity ratio decreased to 42.9% from 50.1% for the previous year. The average lending rate was controlled at a relatively low level of 7.05% during the year ended 31 December 2013. The interest coverage ratio (EBITDA/interest expense) increased to 9.4 times from 3.7 times in 2012, which benefited from the Group's low liabilities and low interest rates on one hand and from the further enhancement of the Group's profitability on the other hand. In addition, while the contracted sales increased substantially, the Group also paid much attention to the collection of sales cash and achieved a sales cash collection rate of approximately 94% during the year, which provided stable and adequate capital support for the rapid development of the Group.

Land bank

The Group has always been insisting on acquiring quality land at competitive costs. In 2013, the Group's average land acquisition cost per sq.m. delivered was only RMB740, accounting for only 12% of the average selling price.

As of 31 December 2013, the Group's total land bank amounted to 3,960,000 sq.m. We acquire land mainly through three ways: 1. incorporating cultural concepts to develop properties that meet the needs of local communities; 2. active and early involvement in the development and construction of regions encouraged by the government to further acquire quality land; 3. acquiring further land at lower costs in the same geographical area by leveraging its successful experience in developing real estate projects in the past.

In 2013, apart from the Pan-west Coast of Taiwan Strait Economic Zone, the Bohai Rim Economic Zone and key economic cities in the central and western regions, the Group also strategically entered Shenzhen, a first-tier city in the Pearl River Delta region, to expand its operations into the Pearl River Delta Economic Circle with a greater potential for economic development. There were 5 newly added projects during the year, which were located in Shenzhen, Yantai and Tianjin and had a total planned GFA of approximately 910,000 sq.m.

Meanwhile, the Group proceeded with rapid expansion in key cities by virtue of the standardized development model. We have categorised the property development projects into three series, namely Central City Series, City Complex Series and Ecological City Series, through product and design standardization and successfully carried out offsite replication.

Brand building

The Group has continuously increased the value of the "Redco" brand. We have been recognized as one of "China Top 100 Real Estate Developers" for four consecutive years since 2010. In 2013, we were recognized as one of "2013 Top 10 Brands of South China Real Estate Companies". In addition, our real estate projects also continued to obtain various awards granted by different institutions.

We have always upheld the concept of signature architecture (精端著造) and continued to increase our profitability through enhancing our brand image.

Future Development

On 30 January 2014, the Shares of the Company ("Shares") were successfully listed on the main board of the Hong Kong Stock Exchange Limited ("Stock Exchange"), which raised net proceeds of approximately HK$1 billion, brought itself in line with the international capital market and started a new era for the development of the Company.

Looking ahead to 2014, the Group will continue to follow the multi-regional business model, follow a diversified land acquisition strategy to expand the product mix, enhance the image of the "Redco" brand, grasp development opportunities in a timely manner and steadily increase profitability so as to continue to generate considerable returns for shareholders and investors.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank all staff for their selfless dedication and hard work during the past year and express my most sincere gratitude to investors, customers and partners of the Group and the community.

Huang Ruoqing
President

Hong Kong, the PRC
21 March 2014

BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors and four independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. The biographical details of the Directors are as follows:-

Executive Directors

Mr. HUANG Ruoqing (黃若青), aged 45, is our executive Director and the president. Mr. Huang has been a Director since 14 July 2008 and was re-designated as our executive Director on 14 January 2014. Mr. Huang is responsible for the day-to-day management and operation of the Group, supervising the land acquisitions and overseeing project planning and execution of the group. Mr. Huang is currently a director of many of our subsidiaries. Mr. Huang has over 23 years of experience in the real estate industry in the PRC. Prior to joining the group, he worked as an architecture designer, assistant architect and project manager successively in Quanzhou Construction Design Institute (泉州市建築設計院), an institution primarily engaged in industrial building design, engineering geological exploration, surveying, construction and decoration, construction engineering consulting and construction plan review from August 1990 until he joined us in May 1994. Mr. Huang received a bachelor's degree in architecture from Huaqiao University (華僑大學) in the PRC in July 1990.

Mr. TANG Chengyong (唐承勇), aged 50, is an executive Director and our vice president. Mr. Tang has been a Director since 18 October 2013 and was re-designated as an executive Director on 14 January 2014. He is primarily responsible for project planning of the group as well as operation of our subsidiaries in Shandong. Mr. Tang has over 20 years of experience in the real estate industry in the PRC. Mr. Tang joined the group as the general manager of Yantai Redco Development Co., Ltd. in August 2001, where he was responsible for the daily operation of this company. Mr. Tang was also successively appointed as the general manager of Jiangxi Man Wo Property Development Co., Ltd., Jiangxi Redco Property Development Co., Ltd., Redco Development (Jiangxi) Co., Ltd., Shandong Redco Real Estate Development Co., Ltd. and vice president of Redco (China) Real Estate Co., Ltd. from May 2006 to February 2012, where he was responsible for daily operation of these companies and overseeing various projects. He is also currently a director of many our subsidiaries. Prior to joining the group, Mr. Tang was employed by Jiangsu Province Supply and Marketing Cooperative Real Estate Development Company (江蘇省供銷社房地產開發公司), a company primarily engaged in property development from March 1993 to August 2001 and his last position was deputy general manager and deputy director of department of economic development. Mr. Tang received a bachelor's degree in engineering from Shenyang Institute of Architectural Engineering (瀋陽建築工程學院) in the PRC in July 1986.

Mr. HONG Duxuan (洪篤煊), aged 44, is an executive Director and our vice president. Mr. Hong has been a Director since 18 October 2013 and was re-designated as an executive Director on 14 January 2014. He is primarily responsible for the legal affairs, information technology, project investment and development of the group as well as operation of Redco Tianjin Real Estate Co., Ltd.. Mr. Hong has over 17 years of experience in handling legal affairs. Mr. Hong joined the group as the director of the legal department of Redco (China) Real Estate Co., Ltd. in April 2003, where he was responsible for the legal affairs of this company. In January 2006, he was appointed as the general manager of Jiangxi Man Wo Property Development Co., Ltd. and Redco Development (Jiangxi) Co., Ltd., where he was responsible for the property development of the group in Jiangxi and since then he has been involved in the development of various projects including Crown International, Spain Standard and Sunshine Coast. He was also appointed as the vice president of Redco (China) Real Estate Co., Ltd. in January 2013, where he has been responsible for the investment of the group. Prior to joining the group, he worked as a partner in Fujian Co-effort Law Firm (福建協力律師事務所) from March 1996 to April 2003. Mr. Hong received a bachelor's degree in law from the China University of Political Science and Law (中國政法大學) in the PRC in June 1993.

Independent non-executive Directors

Dr. WONG Yau Kar, David BBS, JP (黃友嘉博士), aged 56, has been an independent non-executive Director since 14 January 2014. Dr. Wong received a Ph.D degree in Economics from the University of Chicago in August 1987 in the United States. Dr. Wong has extensive experience in direct investments and corporate finance. Dr. Wong is currently the managing director of United Overseas Investments Ltd., which primarily engages in trading and investments. Dr. Wong has recently been elected as a Hong Kong deputy to the Twelfth National People's Congress of the People's Republic of China (第十二屆全國人民代表大會). Dr. Wong has been actively participating in public services and to name a few, he is currently the chairman of the Land and Development Advisory Committee, the Protection of Wages on Insolvency Fund Board and the Societal Engagement Task Force of the Commission on Poverty. Dr. Wong is also a committee member of the Exchange Fund Advisory Committee and a council member of the Hong Kong Baptist University. In the business sector, Dr. Wong is the permanent honorary president of the Chinese Manufacturers' Association of Hong Kong, chairman of the Business & Professionals Federation of Hong Kong and deputy chairman of the Hong Kong Institute of Directors. In 2010, Dr. Wong was appointed as a Justice of Peace (JP) and in 2012, Dr. Wong was awarded a Bronze Bauhinia Star (BBS) for his valuable contribution to the society.

Dr. Wong is currently a non-executive director of CIAM Group Limited (Stock code: 378) and independent non-executive director of China Juhao Health Industry Corporation Limited (Stock code: 419), China Wind Power Group Limited (Stock code: 182), ReOrient Group Limited (Stock code: 376) and Shenzhen Investment Limited (Stock code: 604). The shares of which are listed on the Main Board of the Stock Exchange.

Mr. CHAU On Ta Yuen (周安達源), aged 66, has been an independent non-executive Director since 14 January 2014. Mr. Chau received a bachelor's degree in Chinese language and literature from Xiamen University (廈門大學) in August 1968 in the PRC. Mr. Chau is currently a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, deputy officer of the Social and Legal Affairs Committee of the Chinese People's Political Consultative Conference (全國政協社會和法制委員會) and the vice chairman of the Ninth board of directors of the Hong Kong Federation of Fujian Association Ltd. Mr. Chau was also awarded the Bronze Bauhinia Star by the government of Hong Kong Special Administrative Region in July 2010.

Mr. Chau is currently an executive director of China Ocean Shipbuilding Industry Group Limited (Stock code: 651) and independent non-executive director of Good Fellow Resources Holdings Limited (stock code: 109), Come Sure Group (Holdings) Limited (stock code: 794) and Sumpo Food Holdings Limited. The shares of which are listed on the Main Board/GEM board of the Stock Exchange.

Mr. YIP Tai Him (葉棣謙), aged 43, has been an independent non-executive Director since 14 January 2014. Mr. Yip received a bachelor of arts (hons) degree in accountancy from the City Polytechnic of Hong Kong, now known as the City University of Hong Kong in September 1993 in Hong Kong. He has been a practising accountant in Hong Kong since 1999. Mr. Yip was admitted as a member of the Association of Chartered Certified Accountants in the United Kingdom and the Institute of Chartered Accountants in England and Wales in September 1996 and January 2006, respectively. He has approximately 20 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Yip is currently non-executive director of Larry Jewelry International Company Limited (stock code: 8351) and independent non-executive independent director of Wing Lee Holdings Limited (stock code: 876), China Communication Telecom Service Company Limited (stock code: 8206), Vinco Financial Group Limited (stock code: 8340), China Media and Films Holdings Limited (stock code: 8172), GCL-Poly Energy Holdings Limited (stock code: 3800), and iOne Holdings Limited (stock code: 982). The shares of which are listed on the Main Board/GEM board of the Stock Exchange.

Mr. CHOW Kwong Fai, Edward JP (周光暉), aged 61, has been an independent non-executive Director since 14 January 2014. Mr. Chow received a bachelor's degree in business studies from Middlesex University (formerly known as Middlesex Polytechnic) in the United Kingdom in 1975. Mr. Chow is a fellow and council member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors from 2001 to 2008 and the Chairman of the PAIB Committee of the International Federation of Accountants (IFAC) from 2006 to 2008. Mr. Chow is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, the Chairman of China Infrastructure Group, a non-executive director of the Urban Renewal Authority, a Deputy Chairman of the Business and Professionals Federation of Hong Kong, a member of the Eleventh Zhejiang Province Committee of the Chinese People's Political Consultative Conference, a member of the Election Committee of the Hong Kong Special Administrative Region and an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China.

Prior to entering the commercial sector, Mr. Chow spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respecitvely in London and Hong Kong. Mr. Chow was appointed as a Justice of Peace by the Chief Executive of the Hong Kong Special Adminstrative Region in July 2008. Mr. Chow was also an awardee of the Directors of the Year Award 2010 in the non-executive director of listed companies (SEHK — Hang Seng Index Constituents) category, awarded by the Hong Kong Institute of Directors.

Save as disclosed above, none of the Directors has been involved in any of the events described under Rule 13.51(2) (h) to (v) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2013.

SENIOR MANAGEMENT

Mr. XU Xiaojie (徐曉傑), aged 49, is our vice president. Mr. Xu is responsible for the capital investment and financing activities of the group. Mr. Xu has over 20 years of experience in capital investment and financing and project management. He joined the group as a vice president of Redco (China) Real Estate Co., Ltd. in April 2013 and since then he has been responsible for the capital investment and financing activities of the group. Prior to joining the group, he served as the deputy general manager of Excellence Real Estate Group Limited (卓越置業集團有限公司), a company primarily engaged in property development, investment and management from March 2006 to April 2013, during which he was responsible for capital investment and corporate financing activities. From November 1990 to June 2002, Mr. Xu was the chairman and the general manager of Hainan Dian Hai Industry Development Co., Ltd. (海南滇海實業發展有限公司), a company engaged in, among others, sales of mineral products, chemical products and building materials and he was responsible for daily operation of this company. Mr. Xu received a bachelor's degree in English from the University of International Relations of Beijing (國際關係學院) in the PRC in July 1987. He also studied in the Graduate School in Renmin University of China (中國人民大學) in the PRC, majoring in currency and banking.

Ms. CHEN Yu (陳宇), aged 38, is the assistant president and the general manager of the administrative and human resources department of the group. Ms. Chen is responsible for the financing activities and human resources management of the group. She has nearly eight years of experience in human resources management and four years of experience in financing management. Ms. Chen joined the group as the assistant president of Redco (China) Real Estate Co., Ltd. in July 2011, where she was responsible for the financing activities and human resources management of the group. Prior to joining the group, she had served as a deputy general manager of fund management department of Kaisa Group Holdings Limited (佳兆業集團控股有限公司), a company listed on the Stock Exchange (stock code: 1638), from July 2008 to July 2011, during which she was responsible for the human resources and financing activities. Ms. Chen received her master's degree in business administration from the University of Twente in Netherlands in March 2005.

Ms. LIANG Wanchan (梁婉嬋), aged 36, is our general manager of the finance department. Ms. Liang is responsible for the corporate finance and accounting of the group. She has over 13 years of experience in corporate finance and internal auditing. Ms. Liang joined the group as the chief financial officer of Redco (China) Real Estate Co., Ltd. in November 2010 and she has been responsible for the corporate finance and accounting of the group. Prior to joining the group, she had served as assistant director of finance and investment management department of Hopson Development Holdings Limited (合生創展集團有限公司), a company listed on the Stock Exchange (stock code: 754), from September 2002 to October 2010, during which she was responsible for financial management of the group. Ms. Liang received a bachelor s degree in economics from the Renmin University of China in the PRC in July 2000.

Mr. YANG Honghai (楊洪海), aged 37, is our general manager of the design department. Mr. Yang is responsible for the design management of the group. He has over 13 years of experience in design work and design management. Mr. Yang joined the group as a deputy general manager of design management department of Redco (China) Real Estate Co., Ltd. in January 2012 and was promoted to the general manager in July 2012 and he has been responsible for the daily operation of our design management department since then. Prior to joining the group, he had previously served as a deputy manager of design engineering department of Taihua Real Estate (China) Co., Ltd. (泰華房地產(中國)有限公司), a company primarily engaged in property development from November 2009 to January 2012, and he was responsible for daily management of the department of design and construction. From February 2004 to October 2009, he was a project manager in Shenzhen Chenshimin Architects Co., Ltd. (深圳市陳世民建築事務所有限公司), a company primarily engaged in the urban design business, where he was responsible for the primary and overall planning as well as programme design. Mr. Yang received a diploma in industrial and civil engineering from the East China Jiaotong University (華東交通大學) in the PRC in July 1998.

Mr. LIANG Wei (梁崴), aged 37, is our general manager of the cost control department. Mr. Liang is responsible for the cost control of the group. He has over nine years of experience in accounting settlement and over six years of experience in cost management. Mr. Liang joined the group as a deputy general manager of the cost control department of Redco (China) Real Estate Co., Ltd. in October 2011 and was promoted to the general manager in July 2012, where he has been responsible for cost control of the group. Prior to joining the group, Mr. Liang had served as a director of cost management department of Shanghai Xinwan Investment Development Co., Ltd. (上海新灣投資發展有限公司), a subsidiary of Kaisa Group Holdings Limited (佳兆業集團), a company listed on the Stock Exchange (stock code: 1638), from February 2008 to August 2011, during which he was responsible for cost control, tender and budget management. Mr. Liang received a diploma in engineering from the Yangtze University (長江大學) in the PRC in June 2005.

Company Secretary

CHAN Hing Chau (陳慶疇), aged 34, has been our company secretary since 28 October 2013. Mr. Chan joined the group as the general manger of finance department of Redco Holdings (Hong Kong) Co. Limited in March 2013. Prior to joining the Group, Mr. Chan was with PricewaterhouseCoopers from December 2004 to March 2013, during which he was promoted to a manager of assurance department. Mr. Chan obtained his bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University in November 2004 in Hong Kong. He was also qualified as a member of Hong Kong Institute of Certified Public Accountants in July 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is an integrated residential and commercial property developer primarily focusing on residential property development in the PRC. We have successfully established our presence in a number of key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim and the Central and Western Regions including Nanchang, Tianjin, Jinan, Yantai, Hefei and Xianyang. For 2012 and 2013, our revenue was RMB1,550.9 million and RMB2,984.6 million respectively. And our profit for the year ended 31 December 2012 and 2013, attributable to equity holders of the Company was RMB65.8 million and RMB400.2 million, respectively.

We believe that we have successfully established the "Redco" brand in the cities where we have built our presence. For four consecutive years since 2010, we have been recognised as one of the "China's Top 100 Real Estate Developers" (中國房地產百強企業) by the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院). In 2013, we were recognised as one of the "2013 Top 10 Brands of South China Real Estate Companies" (2013 中國華南房地產公司品牌價值 Top 10) by the Development Research Center of the State Council, the Real Estate Research Institute of Tsinghua University and the China Index Academy. We believe that the strong execution capabilities of our management team have been instrumental in executing our business strategies and achieving our current market position.

We have established diversified land acquisition strategies that complement each other, including acquisitions from third parties and listings-for-sale. We have also adopted other land acquisition strategies which include: (i) incorporating cultural concepts to develop properties that meet the needs of the local communities; (ii) early involvement in areas encouraged by the local governments; and (iii) leveraging on our past experience in developing quality property projects to acquire further land in the same geographical area. We have engaged in property development projects whereby either we or the original land use rights owner(s) are responsible for resettlement operations including compensation and resettlement of affected residents, demolition of existing structures and clearing of land of the relevant areas.

OUR PROPERTY DEVELOPMENT PROJECTS

As at 31 December 2013, our property portfolio comprised 15 property development projects with an aggregate gross floor area ("GFA") of 3,959,483.6 square metres ("sq.m.") under various stages of development in various cities in the PRC. The following table sets forth a summary of our property development projects as at 31 December 2013:

		COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT		
Project	Site area[1] (sq.m.)	GFA[2] completed (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	GFA under development[2] (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Planned GFA[2] (sq.m.)	GFA without land use rights certificates[3] (sq.m.)	Total GFA (sq.m.)
NANCHANG										
Crown International 皇冠國際	53,673.2	271,040.4	205,740.8	16,606.4	–	–	–	–	–	271,040.4
Crowne Plaza Nanchang Riverside Hotel[4] 力高皇冠假日酒店	4,636.7	57,986.8	57,986.8	57,986.8	–	–	–	–	–	57,986.8
Spain Standard 力高國際城	466,665.3	603,671.8	597,383.9	74,476.9	305,265.8	298,241.0	141,891.4			908,937.6
Riverside International 濱江國際	37,345.7	118,917.4	114,863.5	34,017.4	85,683.2	76,357.2	56,483.6	–	–	204,600.6
Bluelake County 瀾湖郡	135,285.0	–	–	–	–	–	–	286,794.7	–	286,794.7
Riverlake International 濱湖國際	68,373.0	–	–	–	–	–	–	205,846.3	205,846.3	205,846.3
TIANJIN										
Sunshine Coast 陽光海岸	481,394.0	–	–	–	184,949.2	181,531.4	–	1,290,276.8	–	1,475,226.0
Land Lot Nos. A1 and A2	69,336.2	–	–	–	–	–	–	55,469.0	55,469.0	55,469.0
JINAN										
Redco International 力高國際	54,162.0	–	–	–	226,076.9	214,966.2	106,310.8	–	–	226,076.9
Splendid the Legend 盛世名門	51,675.2	205,813.6	148,642.4	14,312.9	–	–	–	–	–	205,813.6
Scenery Holiday 假日麗景	34,934.9	87,545.2	85,995.5	2,157.9	–	–	–	–	–	87,545.2
YANTAI										
Sunshine Coast - Phase I 陽光海岸	51,693.7	–	–	–	–	–	–	186,470.8	–	186,470.8
HEFEI										
Mix Kingdom Redco 力高•共和城	395,596.4	401,885.3	368,581.2	48,589.8	205,890.3	200,429.7	143,318.6	263,959.7		871,735.3
XIANYANG										
Royal City - Phase I 御景灣	69,466.8	–	–	–	125,308.5	121,784.1	21,393.1	111,504.3	–	236,812.8
SHENZHEN										
Royal International 君御國際	33,035.3	–	–	–	–	–	–	177,640.0	177,640.0	177,640.0
TOTAL				248,148.1	1,133,373.9			2,577,961.6		

1. Information for "Site area" is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).

2. "GFA completed" of completed projects is based on surveying reports. "GFA under development" of projects under development is based on construction works commencement permits and/or construction works planning permits. "Planned GFA" of projects for future development is based on the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.

3. We have entered into land grant contracts but not yet obtained land use rights certificates in respect of these parcels of land.

4. As Crown Plaza Nanchang Riverside Hotel was held by 力高實業（江西）有限公司 (Redco Industry (Jiangxi) Co., Ltd.*), a joint venture of the Company, the development costs incurred for this project was not consolidated in the financial statements of the Group.

* for identification purposes only

Recent Development

In March 2014, we entered into a land grant contract relating to the new project in Nanchang at a consideration of RMB340.1 million.

The project occupies a site area of 41,994.5 sq.m. and is expected to consist of high-rise apartments, commercial units and car parks.

Based on our estimates of current project plans, details of the project as at the date of this report were as follows:

Construction period	
— Estimated date of commencement	Second quarter of 2014
— Estimated date of completion	Fourth quarter of 2016
Total planned GFA (sq.m.)	92,386
Attributable interest to the group	100%

FINANCIAL REVIEW

Results of Operations

Revenue

Our revenue increased by 92.4% to RMB2,984.6 million for the year ended 31 December 2013 from RMB1,550.9 million for the year ended 31 December 2012. This increase was primarily due to a 85.5% increase in our GFA delivered to 483,441 sq.m. for the year ended 31 December 2013 from 260,660 sq.m. for the year ended 31 December 2012. The increase in our GFA delivered was primarily due to the GFA delivered for Riverside International and Spain Standard in Nanchang and Splendid the Legend in Jinan. Riverside International and Splendid the Legend began to recognise revenue from sales in 2013, partially offset by a significant decrease in the GFA delivered for Crown International in Nanchang. Our recognised average selling price ("ASP") for properties delivered increased slightly to RMB6,171 for the year ended 31 December 2013 from RMB5,950 for the year ended 31 December 2012. The slight increase in our recognised ASP for properties delivered was primarily due to the increase in the revenue attributable to Riverside International, offset by a significant decrease in revenue attributable to Crown International in Nanchang.

The following table sets out a breakdown of the Group's revenue, GFA delivered and recognised ASP by geographical segments:

	For the year ended 31 December					
	2013 Revenue (RMB'000)	2012 Revenue (RMB'000)	**2013 GFA Delivered (sq.m.)**	2012 GFA Delivered (sq.m.)	**2013 Recognised ASP (RMB per sq.m.)**	2012 Recognised ASP (RMB per sq.m.)
Greater Western Taiwan Straits Economic Zone	**1,744,141**	765,749	**288,008**	94,444	**6,056**	8,108
Central and Western Regions	**215,255**	785,193	**36,759**	166,216	**5,875**	4,724
Bohai Economic Rim	**1,025,190**	—	**158,674**	—	**6,461**	—
Others	**—**	—	**—**	—	**—**	—
Subtotal	**2,984,586**	1,550,942	**483,441**	260,660	**6,171**	5,950

A summary of our segment results is set forth below:

- Greater Western Taiwan Straits Economic Zone: Our segment revenue for the Greater Western Taiwan Straits Economic Zone increased by 127.8% to RMB1,744.1 million for 2013 from RMB765.7 million for 2012. The increase was primarily attributable to (i) the GFA delivered for Riverside International in Nanchang, a property development project for which we began to recognise revenue from sales in 2013; and (ii) an increase in GFA delivered for Spain Standard in Nanchang, partially offset by a significant decrease in the GFA delivered for Crown International in Nanchang.
- Central and Western Regions: Our segment revenue for the Central and Western Regions decreased by 72.6% to RMB215.3 million for 2013 from RMB785.2 million for 2012. The decrease was primarily due to a decrease in the GFA delivered for Mix Kingdom Redco in Hefei.
- Bohai Economic Rim: Our segment revenue for the Bohai Economic Rim amounted to RMB1,025.2 million for 2013 compared with nil for 2012. The increase was attributable to the GFA delivered for Splendid the Legend in Jinan, a property development project for which we began to recognise revenue from sales in 2013.
- Others: It mainly represents our headquarters at Shenzhen. There is no revenue for the years ended 31 December 2013 and 2012.

Cost of sales

Cost of sales increased by 84.7% to RMB2,018.5 million for 2013 from RMB1,092.8 million for 2012. This increase was primarily due to an increase in cost of properties sold as a result of (i) a significant increase in GFA delivered to 483,441 sq.m. for 2013 from 260,660 sq.m. for 2012 and (ii) an increase in average land acquisition costs per sq.m. delivered to RMB740 for 2013 from RMB529 for 2012, partially offset by a decrease in average construction costs per sq.m. delivered to RMB2,915 for 2013 from RMB3,204 for 2012. The increase in average land acquisition costs per sq.m. delivered was primarily due to the relatively high land acquisition costs per sq.m. for Riverside International in Nanchang, which will be positioned as a high-end properties. The decrease in average construction costs per sq.m. delivered was primarily due to a significant decrease in revenue attributable to Crown International in Nanchang as a percentage of our revenue for 2013 as compared with 2012. Crown International is a project that we have marketed as high-end properties situated in Nanchang, for which we incurred relatively high average construction costs.

Gross profit

Gross profit increased by 110.8% to RMB966.1 million for 2013 from RMB458.2 million for 2012. Our gross profit margin increased to 32.4% for 2013 from 29.5% for 2012. This increase was primarily attributable to the relatively high gross profit margin for Riverside International in Nanchang for 2013.

Other gains/(losses), net

Other gains/(losses), net increased to RMB20.7 million for 2013 from a loss of RMB0.9 million for 2012. The increase was primarily attributable to the gains of RMB20.5 million mainly arising from the disposal of certain subsidiaries of the Group before the Listing.

Selling and marketing expenses

Selling and marketing expenses increased by 0.2% to RMB53.7 million for 2013 from RMB53.6 million for 2012. Selling and marketing expenses mainly represent the promotion of our properties.

General and administrative expenses

General and administrative expenses increased by 18.9% to RMB81.8 million for 2013 from RMB68.8 million for 2012. This increase was primarily due to an increase in legal and professional fee, employee benefit expenses, and office and travelling expenses, partially offset by a decrease in other general and administrative expenses.

Impairment of goodwill

Impairment of goodwill increased by 109.8% to RMB25.6 million for 2013 from RMB12.2 million for 2012. Such goodwill represents certain premium paid in connection with our acquisition of an 80.0% equity interest in Changfeng Lianhua Real Estate Co., Ltd., which holds Mix Kingdom Redco in Hefei.

Operating profit

As a result of the above, our operating profit increased by 156.0% to RMB825.8 million for 2013 from RMB322.6 million for 2012.

Finance income

Finance income increased by 142.4% to RMB8.0 million for 2013 from RMB3.3 million for 2012. This increase was primarily attributable to an increase in interest income from bank deposits due to an increase in bank deposits.

Finance costs

Finance costs decreased by 23.8% to RMB3.2 million for 2013 from RMB4.2 million for 2012 which mainly due to decrease in average monthly balance for the year.

Share of loss of a joint venture

Share of loss of a joint venture decreased by 75.5% to RMB1.3 million for 2013 from RMB5.3 million for 2012. The decrease was primarily due to the decrease in share of loss related to Redco Industry (Jiangxi) Co., Ltd., which holds the Crowne Plaza Nanchang Riverside Hotel in Nanchang, as a result of the improved performance of its hotel operations.

Profit before income tax

As a result of the above, profit before income tax increased by 162.1% to RMB829.3 million for 2013 from RMB316.4 million for 2012.

Income tax expense

Income tax expense increased by 183.0% to RMB428.4 million for 2013 from RMB151.4 million for 2012. The increase was primarily due to an increase in Enterprise Income Tax ("EIT") as a result of increased revenue, an increase in Land Appreciation Tax ("LAT") as a result of the higher gross profit margin and tax effect of withholding tax on the distributable profits on the group's PRC subsidiaries. The increase in the effective tax rate to 51.7% for 2013 from 47.9% for 2012 was primarily attributable to the increase in LAT provision and LAT paid to RMB178.2 million for 2013 from RMB57.8 million for 2012, which was due to the relatively higher gross profit achieved for Spain Standard and Riverside International in Nanchang in 2013.

Profit for the year

As a result of the above, profit for the year increased by 143.0% to RMB400.9 million for 2013 from RMB165.0 million for 2012. The profit for the year mainly arising from the profit in Greater Western Taiwan Straits Economic Zone for RMB379.6 million and Bohai Economic Rim for RMB119.9 million and offset by the loss in Central and Western region for RMB25.4 million and Others segment for RMB73.1 million.

Profit for the year attributable to the equity holders of the Company

As a result of the above, profit for the year attributable to equity holders of the Company increased by 508.2% to RMB400.2 million for 2013 from RMB65.8 million for 2012. Profit attributable to non-controlling interests decreased by 99.3% to RMB0.7 million for 2013 from RMB99.2 million for 2012 as we achieved a significant portion of our profit for 2013 from the GFA delivered for Riverside International in Nanchang, in which we hold a 100.0% equity interest, whereas for 2012, we shared 50.0% and 20.0% of our profit from GFA delivered for Crown International in Nanchang and Mix Kingdom Redco in Hefei to non-controlling interests. Crown International in Nanchang and Mix Kingdom Redco in Hefei contributed more than 90.0% of our revenue for 2012.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB827.8 million (2012: RMB703.7 million) and restricted cash of RMB132.3 million (2012: RMB202.9 million) as at 31 December 2013. As at 31 December 2013, the Group's cash and cash equivalents were denominated in the Hong Kong dollar ("HK$"), RMB and the United States dollar.

Bank borrowings

The Group had bank borrowings of approximately RMB1,453.6 million (2012: RMB1,324.6 million) as at 31 December 2013. The following table sets out the maturity profile of the Group's borrowings as at the dates indicated.

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Amounts of borrowings that are repayable:		
– Within 1 year	375,944	328,818
– Between 1 and 2 years	730,664	405,704
– Between 2 and 5 years	342,713	584,975
– After 5 years	4,247	5,061
	1,453,568	1,324,558

As at 31 December 2013, the Group's bank borrowings were denominated in RMB and HK$.

As at 31 December 2013, the Group is exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in HK$. RMB experienced certain appreciation against HK$ during the year 2013 which is the major reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

As at 31 December 2013, the Group's gearing ratio was 30% (2012: 33%). The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalent and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

Cost of Borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses expensed and capitalised by average bank borrowings during the relevant year) was 7.1% per annum in 2013, versus 6.8% per annum in 2012.

Contingent liabilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the respective balance sheet years:

	31 December	
	2013 RMB'000	2012 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	1,566,684	831,256

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The Directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 31 December 2013. The Directors consider that the subsidiaries are able to sufficiently financially resourced to settle their obligations.

Except for financial guarantees as disclosed above, the Group had no material contingent liabilities as at 31 December 2013.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2013, the Group had a total of approximately 452 employees (2012: 420 employees). The remuneration of the employees (including directors' emoluments) amounted to approximately RMB31.9 million. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for its Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted the share option scheme on 14 January 2014. Further information of such share option scheme is available in this report.

CHARGE OVER ASSETS

As at 31 December 2013, the Group had aggregate banking facilities of approximately RMB1,433,857,000 (2012: RMB2,331,900,000) for overdrafts, bank loans and trade financing. There were no unused facilities as at the same date (2012: RMB1,007,342,000).

These facilities were secured by:

(i) joint and several guarantee provided by Wong Yeuk Hung and Huang Ruoqing, the honorary chairman and the executive Director of the Company and certain directors of the Group's subsidiaries;

(ii) properties held by Wong Yeuk Hung, the honorary chairman of the Company; and

(iii) certain properties under development held for sale provided by the Group's subsidiaries.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE SUBSIDIARIES AND ASSOCIATED CORPORATIONS

During the year ended 31 December 2013, the Group had completed the material acquisitions and disposals for the purpose of the reorganisation of the Group in preparation for the Listing. Please refer to the prospectus dated 21 January 2014 of the Company (the "Prospectus") for the further details. Save as the disclosed, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies during the year ended 31 December 2013.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2013, the Group had acquired two parcels of land in Nanchang and one parcel of land in Shenzhen. Please refer to the Prospectus for further details. Save as disclosed, the Group did not have any material investment during the year ended 31 December 2013.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company will continue to purchase land located at the strategically selected cities, if thought fit. It is expected that the internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed, the Company did not have any future plans for significant investments or capital assets as at the date of this report.

OUTLOOK

Within the next five years, we aim to become (i) one of the top 50 real estate developers in the PRC and (ii) one of the leading real estate developers in most of our strategically targeted key economic cities. We believe that we can achieve the aforesaid objectives by executing the following strategies:

- Further expand our business operations in the key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim and the Central and Western Regions as well as other regions in China such as those first tier and second tier cities in the Yangtze River Delta Region and the Pearl River Delta Region.
- We intend to continue to follow our diversified land acquisition strategies. We intend to continue prioritising our financial resources towards what we believe to be the most profitable opportunities by selectively targeting land that we believe has high growth potential and acquiring such land at competitive costs. As part of our expansion, we may also make strategic investment and acquisitions that complement our operations.

- Continue to focus primarily on residential property development while achieving an optimal and diversified portfolio by developing a higher proportion of commercial property development projects. We believe that diversifying our product mix will enhance our ability to expand and will enable us to effectively respond to any macro-economic policy affecting the PRC residential property sector.

- Further strengthen our "Redco" brand by providing quality products to our customers and continuing to engage in projects that entail the construction of landmark properties. We intend to:

  — solidify such reputation in the cities where we have established a presence as well as our other strategically targeted cities;

  — remain focused on creative architectural planning and innovative product designs to provide superior value to our customers;

  — expand our collaborations with reputable design firms;

  — engage in more projects that entail building landmark properties such as well-recognised hotels or office buildings at prime locations;

  — organise promotional events such as economic forums

  We believe those work we do in the above will in turn enhance our reputation and recognition of our "Redco" brand.

- Continue to recruit, retain and motivate a talented workforce. We believe that our employees are our invaluable assets. In order to support our growth and expansion, we aim to attract and recruit employees with a wide range of expertise including real estate development, project planning, design, finance and marketing and sales.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Company's initial public offering (after deducting the underwriting fees and related expenses) amounted to approximately HK$930.0 million, which are intended to be applied in the manner as disclosed in the Prospectus.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2013.

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of its Shareholders.

Trading in the Shares on the Stock Exchange commenced on 30 January 2014 (the "Listing Date"). As the Company was not a listed company during the year ended 31 December 2013, the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules were not applicable to the Company during the period under review.

(A) CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the CG Code as its own code to govern its corporate governance practices.

Throughout the period since the Listing Date and up to the date of this report, the Company has complied with the code provisions of the CG Code with the exception of Code Provision A.2.1 as set out in the paragraph headed "Chairman and Chief Executive" below.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and improving a high standard of corporate governance practices.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to a specific enquiry made by the Company, all Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date hereof.

(C) DIRECTORS

Board Composition

The Board currently consists of 7 Directors, comprising three executive Directors and four independent non-executive Directors. As at the date hereof, the composition of the Board is set out as follows:

Executive Directors

Mr. Huang Ruoqing
Mr. Tang Chengyong
Mr. Hong Duxuan

Independent non-executive Directors

Dr. Wong Yau Kar, David BBS, JP
Mr. Chau On Ta Yuen
Mr. Yip Tai Him
Mr. Chow Kwong Fai, Edward, JP

The biographical information of the Directors and the relationships between the members of the Board are set out and disclosed in the section headed "Directors and Senior Management" of this annual report.

Roles and Responsibilities

The Board is responsible for determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Directors must dedicate sufficient time and attention to the Group's affairs. Besides, the Company also requested all Directors to disclose to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Attendance Record of the Directors

Code provision A.1.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through electronic means of communication. As the shares of the Company were not yet listed on the Main Board of the Stock Exchange during the year ended 31 December 2013, code provision A.1.1 of the CG Code was not applicable to the Company during the period under review. Since Listing Date and up to the date hereof, one Board meeting was held on 21 March 2014 to approve, among other things, the Group's final results for the year ended 31 December 2013. All Board members attended the said meeting.

Independence of the independent non-executive Directors

Since the Listing Date and up to the date hereof, in compliance with the requirement of Rule 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors in the Board, representing more than half of the Board, with two of them possessing appropriate professional qualifications or accounting or related financial management expertise. Based on the foregoing, the Board considers that the balance between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of Shareholders and the Group as a whole.

The Company has received from each of the independent non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors independent. The Board believes that there is a strong independent element in the Board to safeguard the interest of Shareholders.

All Directors, including independent non-executive Directors, are clearly identified in all corporate communications of the Company. A list of Directors is available on the websites of the Company and the Stock Exchange and will be updated, where necessary.

Induction and Development

Directors must keep abreast of their collective responsibilities. All Directors received an induction package covering the regulatory obligations of a director of a listed company. The Company also plans to provide briefings and other training to develop and refresh the Directors' knowledge and skills. The Company shall provide (a) the Directors the update on the material changes to the Listing Rules and other applicable regulatory requirements; and (b) the employees of the Group abreast of updates in the anti-bribery laws and regulations. The Directors shall participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Circulars and guidance notes may be issued to Directors and senior management of the Company where appropriate, to ensure awareness of best corporate governance practices.

Before the Listing Date, all Directors attended (a) trainings conducted by the Company's legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Securities and Futures Ordinance ("SFO") and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong; and (b) training in connection with anti-bribery rules and regulations under the PRC laws.

(D) CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period, there is no Chairman in the Company. Mr. Huang Ruoqing has acted as President and is responsible for the day-to-day management and operations of the Group. The Board does not have the intention to fill the position of chairman at present and believes that the absence of a Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of Chairman.

(E) ELECTION OF DIRECTORS

Code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. All Directors will retire in the coming annual general meeting, and being qualified, have offered to be re-elected at the annual general meeting of the Company.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years with effect from the Listing Date. Whereas, each of the executive Directors entered into a service contract with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from January 2014, the month which the Shares of the Company were listed on the Main Board of the Stock Exchange.

(F) BOARD COMMITTEES

The Board is responsible for performing the corporate governance duties including:

a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct applicable to Directors, senior management and employees of the Company; and

e) to review the Company's compliance with the CG Code and disclosure in this report.

In compliance with the CG Code, the Company established three committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). Those committees perform their distinct roles in accordance with their respective terms of reference which are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company established an Audit Committee on 14 January 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. As at the date hereof, the Audit Committee consists of four independent non-executive Directors, namely Mr. Chow Kwong Fai, Edward, JP (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Yip Tai Him, Dr. Wong Yau Kar, David BBS, JP and Mr. Chau On Ta Yuen. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned by the Board. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

Since the Audit Committee was not yet established during the period under review, no committee meetings were held during the year ended 31 December 2013.

Since the Listing Date and up to the date hereof, the Audit Committee held a meeting on 19 March 2014, with all members present, to assess the independence of the Company's auditor and to review, among other things, the Group's annual results for the year ended 31 December 2013.

Remuneration Committee

The Company established a Remuneration Committee on 14 January 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The Remuneration Committee consists of three members, being Mr. Yip Tai Him, Mr. Chau On Ta Yuen and Mr. Huang Ruoqing, two of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants, if any, pursuant to the Share Option Scheme.

Since the Remuneration Committee was not yet established during the period under review, no committee meetings were held during the year ended 31 December 2013. Since Listing Date and up to the date hereof, the Remuneration Committee of the Company held a meeting on 21 March 2014, with all members thereof present, to review and make recommendations to the Board on the existing remuneration packages of all Directors and senior management.

Nomination Committee

The Company established a Nomination Committee on 14 January 2014 with written terms of reference. The Nomination Committee consists of three members, being Mr. Huang Ruoqing, Mr. Wong Yau Kar, David BBS, JP and Mr. Chau On Ta Yuen. Two of the members are the independent non-executive Directors. The Nomination Committee is chaired by Mr. Huang Ruoqing. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

Since the Nomination Committee was not yet established during the period under review, no committee meetings were held during the year ended 31 December 2013. Since Listing Date and up to the date hereof, the Nomination Committee of the Company held a meeting on 21 March 2014 with all members present, to assess the independence of independent non-executive Directors and review the proposed re-appointment of Directors at the forthcoming annual general meeting.

Further, the Board Diversity Policy (the "Policy") was adopted by the Company on 28 January 2014. The purpose of the Policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee shall review the policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

On 28 January 2014, the Board discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience and cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

(G) AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. The Directors acknowledged their responsibility for preparing the accounts of the Group.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going-concern basis.

A statement by the auditor of the Company in respect of their reporting responsibilities on the financial statements of the Group is set out in the independent auditor' report from pages 43.

The remuneration paid to PricewaterhouseCoopers, the Company's auditor for the year ended 31 December 2013 amounted to HK$1,600,000 and nil in respect of the audit and non-audit services fees, respectively, during the year under review.

(H) INTERNAL CONTROL

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorized use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and the compliance of applicable laws, rules and regulations.

As disclosed in the Prospectus, the Board adopted an anti-bribery policy with a specific focus on the Company's principal business, property development, and circulated such policy to the management of its various departments. The policy sets out suggestions and recommendations to handle suspected bribery activities as they arise under different circumstances, such as the standards and attitudes to be observed when dealing with governmental authorities and officials during the public tender, listing-for-sale and auction of land, with a view to preventing the Group or any of its senior management and employees to be implicated in bribery incidents.

The Company engaged an independent internal control consultant on 29 July 2013 to review the effectiveness of internal controls associated with major business processes of the Group, identify deficiencies and improvement opportunities, furnish recommendations on remedial actions from 12 August 2013 to 30 August 2013 and review the implementation status of these remedial actions from 15 October 2013 to 18 October 2013. The relevant remedial actions were consistent with those recommended by such consultant in addressing some key findings of its review on the Group's internal controls. Based on the findings and recommendations of the work performed by such consultant, the Board considered that the above internal control measures were adequate and effective. For further details, please refer to the section headed "Business – Internal Control Measures to ensure future compliance" of the Prospectus.

The Audit Committee, on behalf of the Board, shall, and will, assess the effectiveness of the internal control system regularly. Further details will be available in the annual report for the year ended 31 December 2014.

(I) COMPANY SECRETARY

The Company appointed Mr. Chan Hing Chau as its company secretary. Mr. Chan has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. The profile of Mr. Chan is set out on page 12 of this annual report.

Mr. Chan is an employee of the Company. He is also the General Manager of Finance Department of Redco Holdings (Hong Kong) Company Limited which is the wholly-owned subsidiary of the Company.

(J) SHAREHOLDERS' RIGHT

Procedures for Shareholders to convene an extraordinary general meeting

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the extraordinary general meeting.
- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at the extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of each Eligible Shareholder will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the extraordinary general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the extraordinary general meeting.
- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company (as amended from time to time), and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board

Shareholders may put forward their written enquiries to the Board. In this regard, Shareholders may send those enquiries or requests as mentioned to the following:

Address:	Room 2001-2, Enterprise Square 3 39 Wang Chiu Road, Kowloon Bay Kowloon, Hong Kong
Fax:	(852) 2758 8392
Telephone:	(852) 2331 2839

Procedures for putting forward proposals at general meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, Shareholders who wish to propose resolutions may follow Article 64 of the Articles of Association of the Company for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the section headed "Procedures for Shareholders to convene an extraordinary general meeting" in this report.

(K) INVESTOR RELATIONS

The management of the Company believes that effective and proper investor relations play a vital role in creating Shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate and complete disclosure of information. The management of the Company has proactively taken and will continue to take the following measures to ensure effective Shareholders' communication and transparency:

- the President of the Company, the respective chairmen of Audit Committee, Remuneration Committee, Nomination Committee, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries;
- regularly update the Company's news and developments of the Company's website;
- arrange on-site visits to the Group's projects for potential investors and research analysts.

Through the above measures, the Company endeavors to communicate with the investment community and provide them with the latest development of the Group and the PRC real estate industry. The Company will disclose information in compliance with the Listing Rules, and publish periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

There was no significant change in the Company's constitutional documents since the Listing Date. Should there be such significant changes in the constitutional documents, the Company shall upload the revised version onto the websites of the Stock Exchange and the Company in due course.

DIRECTORS' REPORT

The Board hereby presents its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the property development business in the People's Republic of China. During the year, there were no significant changes in the nature of the Group's principal activities.

The activities of the subsidiaries of the Company are set out in Note 16a to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 44.

The Directors recommended the payment of a final dividend of RMB0.05 per ordinary share, approximately RMB80 million in aggregate, for the year ended 31 December 2013 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 30 June 2014. The proposed dividend is subject to the approval of Shareholders at the forthcoming annual general meeting to be held on 20 June 2014 (the "Annual General Meeting") and, if approved, will be payable on or before 15 July 2014. The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the middle rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at the date of Annual General Meeting.

There is no arrangement that a Shareholder has waived or agreed to waive any dividends.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 24 to the consolidated financial statements.

As at 31 December 2013, the Company's reserves available for distribution to its Shareholders in accordance with the Articles of Association of the Company were RMB551.3 million (31 December 2012: RMB230.4 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale are set out on page 112 of this report.

SHARE CAPITAL

Details of the movements in issued share capital of the Company are set out in Note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, stipulating that any new shares shall be offered according to the respective shareholding of the existing shareholders when new shares are issued.

BORROWINGS

Details of the borrowings of the Group are set out in Note 25 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB2.07 million.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 111 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, sales to the Group's five largest customers in aggregate represented 1.2% (2012: 2.9%) of total sales of the Group and sales to the single largest customer accounted less than 1% (2012: Less than 1%) of total sales of the Group. The Group's turnover attributable to the Group's five largest customers was less than 30%. For the year ended 31 December 2013, purchases from the Group's largest and the five largest suppliers accounted for approximately 13.1% (2012: 11.8%) and 36.4% (2012: 52.3%) of total cost of sales of the Group, respectively.

For the year ended 31 December 2013, none of the Directors or any of their associates or any Shareholders of the Company, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital of the Company) has any interest in the above-mentioned suppliers and customers.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of the Shares during the year ended 31 December 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2013.

SHARE OPTION SCHEME

On 14 January 2014, the Company adopted a share option scheme ("Share Option Scheme") whereby the Board may, at its discretion, offer to grant an option to subscribe for such number of new shares of the Company (the "Shares") to (a) full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (b) any directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries (the "Eligible Participants") as described in the Share Option Scheme in order to serve as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant.

(a) Maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 160,000,000 Shares, representing 10% of the issued capital of the Company after completion of the Global Offering and Capitalization Issue (as defined in the Prospectus)(but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), and 10% of the issued capital of the Company as at the date of this report, respectively, excluding for this purpose Shares which may have been issued upon the exercise of the Over-allotment Option or options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the terms of the Share Option Scheme whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(b) Maximum number of options to each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(d) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting by way of a poll at which all connected persons of the Company shall abstain from voting in favor of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

(e) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. As at the date of this report, the Share Option Scheme has a remaining term of approximately 9 years and 9 months.

(f) Present status of the Share Option Scheme

From the Listing Date and up to the date hereof, no option had been granted or agreed to be granted under the Share Option Scheme.

DIRECTORS

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

Executive Directors

Mr. HUANG Ruoqing*
Mr. TANG Chengyong (Appointed on 18 October 2013*)
Mr. HONG Duxuan (Appointed on 18 October 2013*)

Independent non-executive Directors

Dr. WONG Yau Kar, David BBS, JP (Appointed on 14 January 2014)
Mr. CHAU On Ta Yuen (Appointed on 14 January 2014)
Mr. YIP Tai Him (Appointed on 14 January 2014)
Mr. CHOW Kwong Fai, Edward JP (Appointed on 14 January 2014)

Notes:

(1) Mr. Huang Ruoqing ("Mr. Huang"), Mr. Tang Chengyong and Mr. Hong Duxuan were designated as executive Directors on 14 January 2014; and

(2) Mr. Wong Yeuk Hung resigned as a Director on 14 January 2014.

Biographical details of the Directors and senior management are set forth in the section headed "Directors and Senior Management Profile" of this report.

In accordance with Article 108(a) of the articles of association of the Company ("Articles of Association"), one-third of the Directors for the time being shall retire from their offices by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Further to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. As such, all Directors shall retire from office and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing from January 2014, the month on which the Shares of the Company were listed on the Main Board of the Stock Exchange. Such service contract can be terminated by either party thereto serving at least three months' notice prior to the expiry of the term thereof. Each of the independent non-executive Directors signed an appointment letter with the Company for a term of three years with effect from 30 January 2014.

None of the Directors (including any Director who may be proposed for re-election at the forthcoming Annual General Meeting) has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The Group also participates in an employee social security plan as required by the regulations in the PRC, under which the Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. Save as disclosed above, the Group has not operated any other retirement benefits schemes for the Group's employees.

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETITION BUSINESS

A deed of non-competition dated 17 January 2014 (the "Deed of Non-Competition") was entered into between the Company and the controlling Shareholders, namely Mr. Wong, Mr. Huang, Global Universe International Holdings Limited ("Global Universe") and Times International Development Company Limited ("Times International"), who have undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of the Group) would not directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold shares or interests (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) in any companies or businesses that compete directly or indirectly with the property development and property investment business engaged by the Group, unless otherwise permitted according to the Deed of Non-Competition.

The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their associates with the Deed of Non-Competition.

The independent non-executive Directors have reviewed the Deed of Non-Competition and assessed whether the controlling Shareholders have abided by the non-competition undertaking. The independent non-executive Directors confirmed that the controlling Shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2013.

Save as disclosed, none of the Directors or their respective associates have any interests in any business that competed or might compete with the Group's business during the year ended 31 December 2013.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interest in the Company:

Name of Director	Nature of interest	Total number of Shares	Percentage of the Company's issued share capital
Mr. Huang (Note 2)	Interest in controlled corporation	480,000,000(L)	30%

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) 480,000,000 Shares are registered in the name of Times International. As at the date of this report, Mr. Huang beneficially owned 100% of the issued share capital of Times International and was deemed to be interested in the 480,000,000 Shares held by Times International pursuant to the SFO.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquires such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the date of this report, substantial shareholders' interests or short position in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares	Long/ Short position	Percentage of the Company's issued share capital
Mr. Wong (Note 1)	Interest in controlled corporation	720,000,000	Long Position	45%
Global Universe (Note 1)	Beneficial Owner	720,000,000	Long Position	45%
Times International (Note 2)	Beneficial Owner	480,000,000	Long Position	30%
Ms. Sze Kai Fei (Note 3)	Interest of spouse	720,000,000	Long Position	45%
Ms. Fan Huili (Note 4)	Interest of spouse	480,000,000	Long Position	30%

Note 1: As at the date of this report, the entire share capital of Global Universe, a company incorporated in the British Virgin Islands ("BVI") with limited liability, was held by Mr. Wong. As such, Mr. Wong was deemed to be interested in the Shares held by Global Universe.

Note 2: The entire share capital of Times International, a company incorporated in the BVI with limited liability, was held by Mr. Huang. Accordingly, Mr. Huang was deemed to be interested in the 480,000,000 Shares held by Times International. Details of which are set out in the section headed "Directors and Chief Executive's interests and short positions in shares, underlying shares, and debentures" above.

Note 3: Ms. Sze Kai Fei is the spouse of Mr. Wong. By virtue of the SFO, Ms. Sze Kai Fei is deemed to be interested in the Shares held by Mr. Wong.

Note 4: Ms. Fan Huili is the spouse of Mr. Huang. By virtue of the SFO, Ms. Fan Huili is deemed to be interested in the Shares held by Mr. Huang.

As at 31 December 2013, direct or indirect interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of subsidiary	Name of shareholder	Percentage of Interest
Redco Investment (International) Co. Limited	Top Plan (HK) Limited	50%
江西政力房地產開發有限公司(Note 1) (Jiangxi Zhengli Property Development Co., Ltd.*)	南昌市政公用建設有限公司 (Nanchang Municipal Public Construction Co., Ltd.*)	49%
長豐聯華置業有限公司 (Changfeng Lianhua Real Estate Co., Ltd.*)	福建群盛集團有限公司 (Fujian Qunsheng Group Co., Ltd.*)	20%
咸陽力高房地產開發有限公司 (Xianyang Redco Property Development Co., Ltd.*)	Chen Huaimei	30%

* for identification purposes only

Note 1: As at 31 December 2013, Jiangxi Zhengli Property Development Co., Ltd. in turn wholly owned深圳力高置業有限公司 (Shenzhen Redco Dadao Real Estate Co., Ltd.*).

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as the transactions set out in Note 35 to the consolidated financial statements and the transactions specified in the paragraph headed "Connected Transaction" in this section, no Director or a controlling Shareholder of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year.

CONNECTED TRANSACTION

During the year ended 31 December 2013, the Group conducted the following continuing connected transactions:

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT ARE SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS

Property Management Services

On 17 January 2014, the Company entered into a master property management agreement ("**Jiangxi Hengfeng Property Management Master Agreement**") with Jiangxi Hengfeng Property Management Company Limited ("**Jiangxi Hengfeng**") pursuant to which Jiangxi Hengfeng (for itself and on behalf of its branches in Tianjin and Xianyang) agreed to provide property management services to the Group in respect of Riverside International, Spain Standard, Bluelake County, Riverlake International, Sunshine Coast in Tianjin, Royal City and Sunshine Coast in Yantai for a term commencing on 30 January 2014 and expiring on 31 December 2015.

The property management fees chargeable by Jiangxi Hengfeng include (i) the management fees in respect of the sales offices and vacant units which remain unsold; (ii) the subsidies on management fees for the initial period after delivery of the properties; (iii) costs of labor for the provision of cleaning, maintenance and security services prior to the delivery of the relevant property; and/or (iv) cost incurred by the Group as a result of provision of short term free management services to its customers as part of our sales and promotion strategy.

The annual caps for the three years ended 31 December 2015 are RMB1.9 milliion, RMB11 million and RMB15 million, respectively.

The transaction amount under the Jiangxi Hengfeng Property Management Master Agreement amounted to RMB1,837,000 for the year ended 31 December 2013 (2012: RMB2,637,000) and, as expected by the parties, did not exceed RMB1.9 million for the year ended 31 December 2013. The annual caps were determined with references to (i) the management fees in respect of sales offices and vacant units which remain unsold; (ii) the subsidies on management fees for the initial period after delivery of the properties; (iii) costs of labour for the provision of cleaning, maintenance and security services prior to the delivery of the relevant property project; (iv) cost incurred by the Group as a result of provision of short term free management services to its customers as part of our sales and promotion strategy; and/or (v) the GFA of the relevant property project expected to be completed in each of the three years ending 31 December 2015.

As at the date of the Jiangxi Hengfeng Property Management Master Agreement, Jiangxi Hengfeng was a company owned by Huang Peng, a cousin of Mr. Wong and Mr. Huang and Chen Yu Peng, an independent third party. As Jiangxi Hengfeng was an associate of Mr.Wong and Mr. Huang, the Company's controlling shareholders and thus a connected person of the Company, transactions between Jiangxi Hengfeng and the Group constituted continuing connected transactions of the Company since the Listing Date.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions above of the Group.

All independent non-executive Directors have reviewed and confirmed that those transactions were entered into:

1. in the ordinary and usual course of business of the Group;

2. under normal commercial terms, or on terms no less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the agreement related to the above continuing connected transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain factual findings procedures in respect of the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have reported the factual findings on these procedures to the Board and confirmed in its letter to the Board that for the year ended 31 December 2013, the continuing connected transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the terms of the above agreement governing the transactions; and (iii) have not exceeded the cap for the year ended 31 December 2013 as set out in the Prospectus.

STATUS OF THE RECTIFICATION

As disclosed in the Prospectus, an application was made to the High Court of Hong Kong ("Court") for relief and an extension of time for laying all the profit and loss accounts and balance sheets by the certain subsidiaries of the Company. On 19 February 2014, it was ordered that the hearing of such application be adjourned, *sine die*, with liberty to restore. Based on the foregoing, as at the date of this report, the Company was (a) considering whether to withdraw or continue the applications; and (b) assessing the implications and risks associated thereto. Should the Company intend to take further actions, the Company shall disclose the status of the rectification in its interim/annual report (as the case may be).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) from Wednesday, 18 June 2014 to Friday, 20 June 2014, both days inclusive, for the purpose of ascertaining Shareholders' entitlements to attend and vote at the Annual General Meeting. In order to be eligible to attend and vote at the 2014 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 June 2014; and

(b) from Thursday, 26 June 2014 to Monday, 30 June 2014, both days inclusive, for the purpose of ascertaining Shareholders' entitlements to the proposed final dividend. In order to establish the entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 June 2014.

SUFFICIENCY OF PUBLIC FLOAT

The Shares were listed on 30 January 2014 on the Main Board of the Stock Exchange. Based on information available to the Company and within the Directors' knowledge as at the date of this report, the Company has maintained the prescribed public float as required by the Listing Rules since the Listing Date and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 39 to the financial statements.

AUDITOR

The financial statements have been audited by PricewahterhouseCoopers who retire and, being eligible, offer themselves for reappointment in the forthcoming Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee, which consists of four members, namely Mr. Chow Kwong Fai, Edward JP, Mr. Yip Tai Him, Dr. Wong Yau Kar, David BBS, JP and Mr. Chau On Ta Yuen, all of whom are independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2013, including the accounting principles and practices adopted by the Group and discussed with auditor in relation to the internal control and financial reporting matters of the Group.

On behalf of the Board
Huang Ruoqing
Executive Director

21 March 2014

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REDCO PROPERTIES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Redco Properties Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 110, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Revenue	5	2,984,586	1,550,942
Cost of sales	6	(2,018,459)	(1,092,778)
Gross profit		966,127	458,164
Other gains/(losses), net	7	20,679	(909)
Selling and marketing expenses	6	(53,655)	(53,625)
General and administrative expenses	6	(81,750)	(68,786)
Impairment of goodwill	15	(25,579)	(12,231)
Operating profit		825,822	322,613
Finance income	11	8,038	3,296
Finance costs	11	(3,215)	(4,218)
Finance income/(costs), net		4,823	(922)
Share of loss of a joint venture	17	(1,310)	(5,330)
Profit before income tax		829,335	316,361
Income tax expense	12	(428,445)	(151,404)
Profit for the year	13	400,890	164,957
Attributable to:			
Equity holders of the Company		400,179	65,771
Non-controlling interests		711	99,186
		400,890	164,957
Earnings per share for profit attributable to equity holders of the Company			
– Basic and diluted	34	0.3	0.1
Dividends	37	230,000	—

The notes on pages 51 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Profit for the year	400,890	164,957
Other comprehensive income/(loss)		
Item that will not be reclassified subsequently to profit or loss		
– Exchange differences arising on translation of functional currency to presentation currency	21,448	(1,629)
Total other comprehensive income/(loss)	21,448	(1,629)
Total comprehensive income for the year	422,338	163,328
Attributable to:		
– Equity holders of the Company	421,627	64,063
– Non-controlling interests	711	99,265
Total comprehensive income for the year	422,338	163,328

The notes on pages 51 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property plant and equipment	14	11,810	12,768
Goodwill	15	95,491	121,070
Interest in a joint venture	17	151,161	175,158
Deferred income tax assets	18	27,008	29,884
		285,470	338,880
Current assets			
Completed properties held for sale	19	566,533	301,671
Properties under development for sale	20	3,938,777	3,386,810
Other receivables, deposits and prepayments	21	1,864,055	552,515
Income tax recoverable		77,372	97,085
Amounts due from shareholders and directors	35	132,464	—
Amounts due from related parties	35	—	90,065
Amounts due from non-controlling interests	35	176,815	267,812
Restricted cash	22	132,296	202,850
Cash and cash equivalents	22	827,804	703,697
		7,716,116	5,602,505
Total assets		8,001,586	5,941,385
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	23	—	—
Reserves	24	888,945	546,258
		888,945	546,258
Non-controlling interests	16	262,560	287,670
Total equity		1,151,505	833,928

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings, secured	25	980,000	846,000
Deferred income tax liabilities	18	79,797	61,989
		1,059,797	907,989
Current liabilities			
Trade and other payables	26	1,662,672	676,677
Bank borrowings, secured	25	473,568	478,558
Amounts due to shareholders and directors	35	—	161,416
Amounts due to non-controlling interests	35	741,614	46,710
Amounts due to related parties	35	5,887	1,094
Receipts in advance	27	2,660,713	2,718,379
Income tax liabilities		245,830	116,634
		5,790,284	4,199,468
Total liabilities		6,850,081	5,107,457
Total equity and liabilities		8,001,586	5,941,385
Net current assets		1,925,832	1,403,037
Total assets less current liabilities		2,211,302	1,741,917

The consolidated financial statements on pages 44 to 110 were approved for issue by the Board of Directors on 21 March 2014 and were signed on its behalf:

HUANG Ruoqing
Director

TANG Chengyong
Director

The notes on pages 51 to 110 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current asset			
Investment in a subsidiary	16	389,362	—
Current assets			
Prepayments	21	5,764	23
Amount due from a subsidiary	16	199,000	—
Cash and cash equivalents	22	8	—
		204,772	23
Total assets		594,134	23
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	23	—	—
Reserves	24	579,660	(23)
Total equity		579,660	(23)
LIABILITIES			
Current liabilities			
Accrued expanse	26	1,419	—
Amounts due to subsidiaries	16	13,033	23
Amount due to a shareholder and director	35	22	23
Total liabilities		14,474	46
Total equity and liabilities		594,134	23
Net current assets/(liabilities)		190,298	(23)
Total assets less current liabilities		579,660	(23)

The consolidated financial statements on pages 44 to 110 were approved for issue by the Board of Directors on 21 March 2014 and were signed on its behalf:

HUANG Ruoqing
Director

TANG Chengyong
Director

The notes on pages 51 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Note	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012		—	482,195	182,405	664,600
Comprehensive income					
– Profit for the year		—	65,771	99,186	164,957
Other comprehensive income					
– Currency translation differences		—	(1,708)	79	(1,629)
Total comprehensive income for the year		—	64,063	99,265	163,328
Capital injection from non-controlling interests		—	—	6,000	6,000
Balance at 31 December 2012		—	546,258	287,670	833,928
Balance at 1 January 2013		—	546,258	287,670	833,928
Comprehensive income					
– Profit for the year		—	400,179	711	400,890
Other comprehensive income					
– Currency translation differences		—	21,258	190	21,448
Total comprehensive income for the year		—	421,437	901	422,338
Transactions with owners					
Capital injection from non-controlling interests		—	—	98,000	98,000
Dividends relating to 2012 and 2013		—	(78,750)	—	(78,750)
Disposal of subsidiaries	29	—	—	(124,011)	(124,011)
Total transactions with owners, recognised directly in equity		—	(78,750)	(26,011)	(104,761)
Balance at 31 December 2013		—	888,945	262,560	1,151,505

The notes on pages 51 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	28	(561,090)	496,746
Income tax paid		(215,317)	(174,799)
Net cash (used in)/generated from operating activities		(776,407)	321,947
Cash flows from investing activities			
Additions of property, plant and equipment		(6,218)	(5,466)
Repayment from shareholders and directors		—	84,251
Repayment from/(advance to) non-controlling interests		709,097	(25,420)
Advance from related parties		18,387	10,404
Restricted cash		67,264	(111,921)
Interest received		8,038	3,296
Disposal of subsidiaries, net of cash disposed of	29	2,607	—
Net cash generated from/(used in) investing activities		799,175	(44,856)
Cash flows from financing activities			
Proceeds from bank borrowings		760,000	627,000
Repayment of bank borrowings		(527,947)	(506,844)
(Repayment to)/advance from shareholders and directors		(142,027)	161,411
Advance from a joint venture		18,795	—
Repayment to related parties		(16,061)	—
Interest paid		(88,141)	(89,133)
Contributions from non-controlling interests of a subsidiary		98,000	6,000
Net cash generated from financing activities		102,619	198,434
Net increase in cash and cash equivalents		125,387	475,525
Cash and cash equivalents at beginning of year		703,697	228,621
Currency translation differences		(1,280)	(449)
Cash and cash equivalents at end of the year	22	827,804	703,697

The notes on pages 51 to 110 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION OF THE GROUP AND GROUP REORGANISATION

1.1 General information of the Group

Redco Properties Group Limited ("the Company") was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the "Group") are principally engaged in property development business (the "Listing Business") in the People's Republic of China (the "PRC"). Prior to the completion of the reorganisation as described in Note 1.2 below ("Reorganisation"), the Listing Business was principally operated through Redco Holdings (Hong Kong) Co., Limited ("Redco HK") and its subsidiaries. Redco HK is ultimately controlled by Mr. Wong Yeuk Hung (the "Mr. Wong" or "Controlling Shareholder").

These consolidated financial statements are presented in unit of Renminbi ("RMB"), unless otherwise stated.

1.2 Group reorganisation

In preparing for the listing of the Company's shares ("Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Company underwent a series of transactions to acquire all the equity interests of Redco HK and its subsidiaries (the major operating subsidiaries) through Redco Properties Holdings Limited ("Redco Properties") from the then shareholders of Redco HK and its subsidiaries. Prior to the Reorganisation, Mr. Wong and his spouse, Ms Sze Kai Fei collectively held 100% equity interests of Redco HK whilst Mr. Huang Ruoqing ("Mr. Huang"), brother of Mr. Wong and Ms. Fan Huili, spouse of Mr. Huang held equity interests of certain subsidiaries of Redco HK. Key procedures of the Reorganisation are as follows:

- On 14 July 2008, the Company was incorporated in the Cayman Islands. Upon incorporation, one nil-paid Share of the Company was transferred to Global Universe International Holdings Limited ("Global Universe"), a company controlled and wholly owned by Mr. Wong. On the same day, 59 nil-paid Shares and 40 nil-paid Shares were allotted and issued to Global Universe and Times International Development Company Limited ("Times International"), a company controlled and wholly owned by Mr. Huang, respectively.
- On 23 June 2008, Redco Properties was incorporated in the British Virgin Islands ("BVI"). One share of Redco Properties was issued and allotted to the Company on 23 July 2008 subsequent to its incorporation.
- On 29 October 2012, Redco Properties acquired the entire issued share capital of Redco HK from Mr. Wong and his spouse at a consideration of HK$400 million. The consideration was satisfied by the allotment and issue of one share of Redco Properties to the Company and resulted in an amount of HK$400 million due from the Company to Mr. Wong and his spouse.
- At the direction of Mr. Wong and his spouse, such HK$400 million due from the Company to them was capitalised by (i) paying up 60 nil-paid Shares held by Global Universe and 40 nil-paid Shares held by Times International, at par on 29 October 2012; and (ii) issuing and allotting 60 Shares and 40 Shares to Global Universe and Times International, respectively, on 29 July 2013.

1 GENERAL INFORMATION OF THE GROUP AND GROUP REORGANISATION – continued

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is held by Mr Wong. The Listing Business is mainly conducted through Redco HK and its subsidiaries, which are controlled by Mr Wong. Pursuant to the Reorganisation, the Listing Business was transferred to the Company. The Company is an investment holding company. The Company has not been involved in any other activities prior to the Reorganisation that meet the definition of business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remain the same throughout all the years presented. Accordingly, the consolidated financial statements of the Group is presented using the carrying values of the Listing Business under Redco HK for all the years presented.

On 14 January 2014, 1,199,999,800 shares were issued by way of capitalisation of share premium from the allotment of 400,000,000 shares under the Capitalisation Issue (see Note 38).

On 30 January 2014, the shares of the Company became listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), where 400,000,000 new shares of HK$2.60 each were issued by the Company and placed by the underwriter on behalf of the Company for cash (the "Placing").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and under the historical cost convention.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.1 Basis of preparation – continued

2.1.1. New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and none of them has material impact on the Group:

Amendment to HKAS 1	Financial statements presentation regarding other comprehensive income
Amendment to HKAS 19	Employee benefits
HKAS 27 (revised 2011)	Separate financial statements
HKAS 28 (revised 2011)	Associates and joint ventures
Amendment to HKFRS 1	First time adoption on government loans
Amendment to HKFRS 7	Financial instruments: Disclosures on asset and liability offsetting
Amendment to HKFRSs 10, 11 and 12	Transition guidance
HKFRS 3	Fair value measurement
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
Annual improvements projects	Annual improvements 2009-2011 Cycles
HK(IFRIC) - Int 20	Stripping costs in the production phase of a surface mine

2.1.2. New and amended standards and interpretations not yet adopted by the Group

Up to the date of issue of this report, the HKICPA has issued the following new and amended standards and interpretations and which are relevant to the Group's operations but are not yet effective for the annual accounting period beginning on 1 January 2013 and which have not been early adopted by the Group:

Amendments to HKFRS 10, 12 and HKAS 27	Consolidation for investment entities (1)
Amendment to HKAS 32	Financial instruments: Presentation on asset and liability offsetting(1)
Amendment to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets(1)
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement' - Novation of derivatives(1)
HK(IFRIC) - Int 21	Levies (1)
HKFRS 9	Financial Instruments(3)
Annual improvements projects	Annual improvements 2011-2013 Cycles(2)

(1) Effective for the Group for annual period beginning on 1 January 2014.
(2) Effective for the Group for annual period beginning on 1 July 2014.
(3) Effective date is still undetermined.

The Group has commenced an assessment of the impact of the above new and amended standards and interpretations and considers that they will not have any significant impact on the results of the Group's operations and financial position. The Group plans to adopt the above new and amended standard and interpretations when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Subsidiaries

2.2.1 Consolidation

The consolidated financial statements incorporated the assets and liabilities of all subsidiaries of the Company to all the years presented, presented on the basis of preparation as described in Note 2.1.

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.3 Joint venture

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

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income" and "finance costs" . All other foreign exchange gains and losses are presented in the consolidated income statement within "general and administrative expenses".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.5 Foreign currency translation – continued

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Leasehold improvement	shorter of the lease term or useful lives
Furniture and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.7 Goodwill

Goodwill arises on the acquisition of a subsidiary represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquire.

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

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

2.8 Impairment of interest in a joint venture and non-financial assets

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

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

2.9 Properties under development for sale and completed properties held for sale

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.10 Financial assets

2.10.1 Classification

The Group's financial assets are classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "other receivables, deposits and prepayments", "amounts due from shareholders and directors", "amounts due from related parties", "amounts due from non-controlling interests", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet. The Company's loans and receivables represent "prepayments", "amount due from a subsidiary" and "cash and cash equivalents" in the balance sheet.

2.10.2 Recognition and measurement

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

Other receivables is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), it is classified as current assets. If not, it is presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.11 Offsetting financial instruments

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

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.13 Impairment of financial assets

Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.13 Impairment of financial assets – continued

The Group first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

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

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

2.16 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.17 Provisions

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

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

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

2.18 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

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

(i) Sale of properties

Revenue from sale of properties is recognised when the significant risks and rewards of the properties are transferred to the buyers, which is when the construction of the relevant properties have been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured. Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as deferred revenue under current liabilities.

(ii) Interest income

Interest income is recognised using the effective interest method.

2.20 Employee benefits

(i) Pension obligations

The Group operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute 5% of the employees relevant income up to a maximum of HK$1,250 (HK$1,000 on or before 1 June 2012) per employee per month.

The Group also participates in an employee social security plan (the "Plan") as required by the regulations in the PRC. The Group is required to make welfare contributions to the Plan which is based on certain percentage of the employees' relevant income.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Bonus plans

The expected cost of bonus plan is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.21 Borrowing costs

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

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

2.22 Financial guarantee liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within general and administrative expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management of each individual entity within the Group.

(i) Liquidity risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations and to maintain sufficient cash to meet its business development requirements.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group's business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in the PRC economic conditions. The Company's directors consider that the Group will be able to maintain sufficient financial resources to meet its needs. Unused facilities of the Group as of 31 December 2013 and 2012 have been disclosed in Note 33.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(i) Liquidity risk – continued

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
The Group						
At 31 December 2013						
Term loans subject to repayment on demand clause and interest payments	107,742	—	—	—	—	107,742
Other bank borrowings and interest payments	—	454,617	826,521	273,514	169	1,554,821
Trade and other payables#	—	1,662,672	—	—	—	1,662,672
Amounts due to related parties	—	5,887	—	—	—	5,887
Amounts due to non-controlling interests	—	741,614	—	—	—	741,614
Financial guarantees (Note 32)	—	1,269,659	297,025	—	—	1,566,684
	107,742	4,134,449	1,123,546	273,514	169	5,639,420

Excluding salaries payables

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(i) Liquidity risk – continued

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2012						
Term loans subject to repayment on demand clause and interest payments	150,400	—	—	—	—	150,400
Other bank borrowings and interest payments	—	408,112	427,811	500,943	234	1,337,100
Trade and other payables#	—	676,677	—	—	—	676,677
Amounts due to shareholders and directors	—	161,416	—	—	—	161,416
Amount due to a related party	—	1,094	—	—	—	1,094
Amounts due to non-controlling interests	—	46,710	—	—	—	46,710
Financial guarantees (Note 32)	—	516,048	315,208	—	—	831,256
	150,400	1,810,057	743,019	500,943	234	3,204,653

Excluding salaries payables

The table below analyses the term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
The Group					
31 December 2013	13,281	3,655	95,186	4,416	116,538
31 December 2012	5,811	34,173	122,064	5,295	167,343

For the Company, all financial liabilities, including amount due to a subsidiary and amounts due to shareholders and directors, are due within 1 year.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(ii) Credit risk

Credit risk arises from bank deposits and other receivables.

For other receivables, amounts due from shareholders and directors amounts due from related parties and amounts due from non-controlling interests, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counterparties is low.

All the bank deposits are placed with banks with sound credit ratings to mitigate the risk. The Group does not hold any collateral as security.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customers' deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(iii) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to HK$ and United States dollars ("US$").

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose it to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. The Group does not hedge its exposure to the foreign currencies.

As at 31 December 2013 and 2012, certain of the Group's cash and bank balances were denominated in HK$ and US$, details of which have been disclosed in Note 22.

As at 31 December 2013 and 2012, the Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in HK$, details of which have been disclosed in Note 25. RMB experienced certain appreciation against HK$ during the year which is the major reason for the exchange differences recognised by the Group for the years. Further appreciation and depreciation of HK$ against RMB will affect the Group's financial position and results of operations.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(iii) Foreign exchange risk – continued

The following table shows that, if RMB had strengthened/weakened by 5% against HK$ and US$, with all other variables held constant, post-tax profit for the year change, mainly as a result of foreign exchange gains/losses on translation of HK$ and US$ denominated bank balances and bank borrowings.

	2013 RMB'000	2012 RMB'000
Post-tax profit increase/(decrease)		
RMB strengthen by 5%	10,054	2,530
RMB weakened by 5%	(10,054)	(2,530)

(iv) Cash flow interest rate risks

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

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from bank. Borrowings of variable rates expose the Group to cash flow interest rate risk. The Group has not hedged its cash flow interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 25.

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

At 31 December 2013 and 2012, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the post-tax profit and capitalised interest for the years ended 31 December 2013 and 2012 would have changed as follows:

	2013 RMB'000	2012 RMB'000
Post-tax profit (decrease)/increase		
- 100 basis points higher	(30)	(34)
- 100 basis points lower	30	34
Capitalised interest increase/(decrease)		
- 100 basis points higher	849	924
- 100 basis points lower	(849)	(924)

3 FINANCIAL RISK MANAGEMENT – continued

3.2 Capital risk management

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

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

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

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowing less cash and cash equivalent and restricted cash. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 RMB'000	2012 RMB'000
Total bank borrowing (Note 25)	1,453,568	1,324,558
Less: cash and cash equivalents and restricted cash (Note 22)	(960,100)	(906,547)
Net debt	493,468	418,011
Total equity	1,151,505	833,928
Total capital	1,644,973	1,251,939
Gearing ratio	30%	33%

3 FINANCIAL RISK MANAGEMENT – continued

3.3 Fair value estimation

The nominal value less estimated credit adjustments of other receivables, cash and cash equivalents, amounts due from related parties, amounts due from non-controlling interests, trade and other payables and current portion of bank borrowings are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments or based on the current bid price in the market.

The table below presents the Group's assets that are measured at fair value through a valuation method. The different levels have been identified as follows:

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

At as 31 December 2013 and 2012, the Group had no level 1 to 3 financial instruments.

If one or more of the significant impacts is not based on observable market date, the instrument is included in level 3. There were no significant transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classifications.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Development costs directly attributable to property development activities

The Group allocates portions of land and development costs to properties held and under development for sale. As certain of the Group's property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on the experience and the nature of the development undertaken, the management makes estimates and assumptions concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect the Group's operating performance in future years.

4.2 Provision for impairment of properties held or under development for sale

The management makes provision for impairment of properties held or under development for sale based on the estimate of the recoverable amount of the properties. Given the volatility of the property market in the PRC, the actual recoverable amount may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group's operating performance in future years.

4.3 Current taxation and deferred taxation

The Group is subject to taxation in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – continued

4.4 Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

4.5 Impairment of other receivables

The Group assesses whether there is objective evidence that other receivables are impaired. It recognises an impairment loss based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment loss required.

4.6 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 15).

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assesses the performance of property development in four reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim. "Others" segment represents corporate support functions.

5 REVENUE AND SEGMENT INFORMATION – continued

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of loss of a joint venture, finance income, finance costs and income tax (expenses)/credits from the operating segments. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

	Greater Western Taiwan Straits Economic Zone RMB'000	Central and Western Regions RMB'000	Bobai Economic Rim RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2013					
Total revenue	1,744,141	215,255	1,025,190	7,821	2,992,407
Inter-segment revenue	—	—	—	(7,821)	(7,821)
Revenue (from external customers)	1,744,141	215,255	1,025,190	—	2,984,586
Segment results	641,499	428	218,188	(30,006)	830,109
Depreciation	(1,598)	(562)	(836)	(1,291)	(4,287)
Operating profits/(losses)	639,901	(134)	217,352	(31,297)	825,822
Share of loss of a joint venture	(1,310)	—	—	—	(1,310)
Finance income	3,211	639	1,686	2,502	8,038
Finance costs	—	—	—	(3,215)	(3,215)
Income tax expenses	(262,196)	(25,978)	(99,171)	(41,100)	(428,445)
Profits/(losses) for the year	379,606	(25,473)	119,867	(73,110)	400,890
Year ended 31 December 2012					
Total revenue	765,749	785,193	—	2,800	1,553,742
Inter-segment revenue	—	—	—	(2,800)	(2,800)
Revenue (from external customers)	765,749	785,193	—	—	1,550,942
Segment results	239,371	134,151	(36,181)	(10,452)	326,889
Depreciation	(1,987)	(589)	(900)	(800)	(4,276)
Operating profits/(losses)	237,384	133,562	(37,081)	(11,252)	322,613
Share of loss of a joint venture	(5,330)	—	—	—	(5,330)
Finance income	1,983	707	554	52	3,296
Finance costs	(376)	—	—	(3,842)	(4,218)
Income tax (expenses)/credits	(107,333)	(57,094)	13,596	(573)	(151,404)
Profits/(losses) for the year	126,328	77,175	(22,931)	(15,615)	164,957

5 REVENUE AND SEGMENT INFORMATION – continued

	Greater Western Taiwan Straits Economic Zone RMB'000	Central and Western Regions RMB'000	Bobai Economic Rim RMB'000	Others RMB'000	Total RMB'000
At 31 December 2013					
Total segment assets	4,271,789	1,209,503	2,464,456	52,853	7,998,601
Other unallocated corporate assets					2,985
Total assets					8,001,586
Additions to:					
Property, plant and equipment	1,605	412	3,669	532	6,218
Acquisition of properties under development for sale	263,770	—	—	—	263,770
Total segment liabilities	(3,497,992)	(938,844)	(2,079,908)	(333,337)	(6,850,081)
At 31 December 2012					
Total segment assets	2,553,293	1,031,288	2,233,920	118,687	5,937,188
Other unallocated corporate assets					4,197
Total assets					5,941,385
Additions to:					
Property, plant and equipment	867	435	593	3,571	5,466
Total segment liabilities	(2,653,072)	(476,147)	(1,502,091)	(476,147)	(5,107,457)

6 EXPENSES BY NATURE

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

	2013 RMB'000	2012 RMB'000
Auditor's remuneration	1,719	490
Cost of properties sold	1,851,389	1,005,762
Depreciation of property, plant and equipment (Note 14)	4,287	4,276
Employee benefit expenses (Note 8)	31,904	26,479
Entertainment	8,085	8,285
Marketing and advertising costs	42,344	42,817
Office and travelling expenses	19,244	18,841
Business taxes and surcharges	167,070	87,016
Land use and real estate taxes	4,921	7,206
Legal and professional fees	9,517	1,633
Donation	2,070	2,105
Other selling and marketing and general and administrative expenses	11,314	10,279
Total cost of sales, selling and marketing expenses and general and administrative expenses	2,153,864	1,215,189

7 OTHER GAINS/(LOSSES), NET

	2013 RMB'000	2012 RMB'000
Gain on disposal of subsidiaries, net (Note 29)	20,536	—
Loss on disposal of property, plant and equipment	(474)	(909)
Other gains	617	—
	20,679	(909)

8 EMPLOYEE BENEFIT EXPENSES

	2013 RMB'000	2012 RMB'000
Salaries and allowances	20,556	18,073
Sale commission and bonuses	3,923	1,623
Pension costs (Note 9)	4,337	3,420
Other staff welfare	3,088	3,363
	31,904	26,479

9 PENSION COSTS — DEFINED CONTRIBUTION PLAN

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

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, subject to a ceiling of HK$1,250 (HK$1,000 on or before 1 June 2012) per month per head.

Details of the retirement scheme contributions, which have been dealt with in the consolidated income statement of the Group, are as follows:

	2013 RMB'000	2012 RMB'000
Gross scheme contributions	4,337	3,420

10 EMOLUMENTS FOR DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' and chief executive's emoluments

None of directors or chief executives received any fees or emoluments in respect of their services to the Group during the year ended 31 December 2013 (2012: Nil).

(b) Five highest paid individuals

The aggregate emoluments payable to the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 are as below.

	2013 RMB'000	2012 RMB'000
Salaries and other short-term benefits	1,291	1,120
Retirement scheme contributions	106	90
	1,397	1,210

The emoluments of each of the five highest paid individuals fell within the band of nil to HK$1,000,000.

During the year, no director or five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office.

11 FINANCE INCOME AND COSTS

	2013 RMB'000	2012 RMB'000
Interest income from bank deposits	8,038	3,296
Interest expense on borrowings wholly repayable within five years	88,047	89,015
Interest expense on borrowings wholly repayable after five years	94	117
Less: interest capitalised in qualifying assets	(84,926)	(84,914)
	3,215	4,218
Weighted average interest rate on capitalised borrowings (per annum)	7.05%	6.83%

12 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% for the year ended 31 December 2013 (2012: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2013 (2012: Nil). As at 31 December 2013, there was no significant unprovided deferred taxation in relation to these Hong Kong companies (2012: Nil).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2013 RMB'000	2012 RMB'000
Current income tax		
PRC corporate income tax	229,561	101,488
PRC land appreciation tax	178,200	57,785
Deferred income tax (Note 18)	20,684	(7,869)
	428,445	151,404

12 INCOME TAX EXPENSE – continued

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by applying the statutory tax rate in the PRC to profits of the group companies as follows:

	2013 RMB'000	2012 RMB'000
Profit before income tax	829,335	316,361
Calculated at PRC Corporate income tax rate of 25%	207,335	79,091
Expenses not deductible for tax purpose	49,972	11,616
Income not subject to taxation	(12,859)	(15,221)
Unrecognised tax losses	6,329	9,669
Provision for land appreciation tax	178,200	57,785
Tax effect on land appreciation tax	(44,550)	(14,446)
Tax effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	43,637	22,053
Others	381	857
Income tax expense	428,445	151,404

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB190,186,000 (2012: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2013				
Opening net book amount	1,585	4,493	6,690	12,768
Additions	566	3,495	2,157	6,218
Disposals	(10)	(115)	(349)	(474)
Derecognised on loss of control in subsidiaries (Note 29)	—	(1,317)	(763)	(2,080)
Depreciation	(595)	(1,285)	(2,731)	(4,611)
Exchange differences	—	(4)	(7)	(11)
Closing net book amount	1,546	5,267	4,997	11,810
As at 31 December 2013				
Cost	3,351	10,038	15,078	28,467
Accumulated depreciation	(1,805)	(4,771)	(10,081)	(16,657)
Net book amount	1,546	5,267	4,997	11,810
Year ended 31 December 2012				
Opening net book amount	10	3,793	9,180	12,983
Additions	1,701	1,834	1,931	5,466
Disposals	—	—	(909)	(909)
Depreciation	(126)	(1,134)	(3,511)	(4,771)
Exchange differences	—	—	(1)	(1)
Closing net book amount	1,585	4,493	6,690	12,768
As at 31 December 2012				
Cost	2,820	27,325	17,788	47,933
Accumulated depreciation	(1,235)	(22,832)	(11,098)	(35,165)
Net book amount	1,585	4,493	6,690	12,768

Depreciation charges were capitalised or expensed in the following categories in the consolidated balance sheet and the consolidated income statement:

	2013 RMB'000	2012 RMB'000
Properties under development for sale	324	495
General and administrative expenses (Note 6)	4,287	4,276
	4,611	4,771

15 GOODWILL

	Goodwill RMB'000
Year ended 31 December 2013	
Opening net book amount	121,070
Impairment of goodwill	(25,579)
Closing net book amount	95,491
Year ended 31 December 2012	
Opening net book amount	133,301
Impairment of goodwill	(12,231)
Closing net book amount	121,070

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") in the following phases in Mix Kingdom Redco, the development project in Hefei as follows:

	2013 RMB'000	2012 RMB'000
West phase 1	3,917	3,917
West phase 3	5,836	13,581
West phase 4	22,161	22,161
West phase 5	44,682	44,682
East phase 1A	1,491	1,491
East phase 1B	146	146
East phase 2	—	17,834
East phase 3	17,258	17,258
	95,491	121,070

During the year ended 31 December 2011, the Group acquired a subsidiary which is engaged in property development in the PRC. The goodwill as a result of this acquisition is allocated to the various phases which make up the development project. The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are estimated based on sales plan.

15 GOODWILL – continued

The key assumptions used for value-in-use calculations for the year ended 31 December 2013 is as follows:

	West phase 1	West phase 3	West phase 4	West phase 5	East phase 1A	East phase 1B	East phase 2	East phase 3
Sales price per sq.m (RMB)	4,751	5,200	6,500	5,200	5,062	4,589	N/A	5,200
Construction cost per sq.m (RMB)	3,000	3,500	4,000	3,500	3,500	3,500	N/A	3,500
Discount rate	12%	12%	12%	12%	12%	12%	N/A	12%

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

The key assumptions used for value-in-use calculations for the year ended 31 December 2012 is as follows:

	West phase 1	West phase 3	West phase 4	West phase 5	East phase 1A	East phase 1B	East phase 2	East phase 3
Sales price per sq.m (RMB)	4,751	5,200	6,500	5,200	5,062	4,589	6,221	5,200
Construction cost per sq.m (RMB)	3,000	3,500	4,000	3,500	3,500	3,500	3,500	3,500
Discount rate	12%	12%	12%	12%	12%	12%	12%	12%

The directors are of the view that there were impairment on goodwill during the year ended 31 December 2013:

	2013 RMB'000	2012 RMB'000
West phase 3	7,745	—
East phase 1A	—	5,571
East phase 1B	—	6,660
East phase 2	17,834	—
	25,579	12,231

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The Company

	2013 RMB'000	2012 RMB'000
Investments at cost, unlisted shares (Note (a))		
Beginning of the year	—	—
Acquisition of subsidiaries from Shareholders	389,362	—
End of the year	389,362	—
Amounts due from/(to) subsidiaries (Note 35)	185,967	(23)

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(a) Details of the principal subsidiaries at 31 December 2013 and 2012 are set out below:

Name of companies		Date of incorporation/ establishment	Type of legal status	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid up capital	Proportion of ownership interest 31 December 2013	2012
Directly held by the Company								
力高地產控股有限公司	Redco Properties Holdings Limited	23 June 2008	Limited liability company	The British Virgin Islands ("BVI")	Investment holding	US$50,000/ US$2 (2012: US$1)	100%	100%
Indirectly held by the Company								
力創國際發展有限公司	Power Creation International Development Limited	17 December 2008	Limited liability company	BVI	Investment holding	US$50,000/ US$100	99%	99%
富宏控股有限公司	Max Income Holdings Limited	23 May 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%
金鼎環球有限公司	Golden Equal Global Limited	13 November 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$100	51%	51%
利達集團有限公司	Maxprofit Globe Holdings Limited	30 May 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$100	100%	100%
力泉國際投資有限公司	Power Spring International Investments Limited	24 September 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%
銘高國際控股有限公司	Top Glory International Holdings Limited	24 September 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%
匯高投資發展有限公司	Hui Gao Investments Development Limited	15 June 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%
盛高置業投資有限公司	Top Thrive Real Estates Investments Limited	15 June 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(a) Details of the principal subsidiaries at 31 December 2013 and 2012 are set out below:- continued

Name of companies		Date of incorporation/ establishment	Type of legal status	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid up capital	Proportion of ownership interest 31 December 2013	2012
力嘉國際投資有限公司	Li Jia International Investments Limited	15 June 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%
創高環球投資有限公司	Top Creation Worldwide Investments Limited	15 June 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%
偉力國際發展有限公司	Wei Li International Developments Limited	15 June 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	100%	100%
力信國際投資有限公司	Power Success International Investments Limited	15 June 2012	Limited liability company	BVI	Investment holding	US$50,000/ US$1	—	100%
力高集團（香港）有限公司	Redco Holdings (Hong Kong) Co., Limited	13 May 1998	Limited liability company	Hong Kong	Investment holding	HK$500,000/ HK$100,000	100%	100%
力盛國際投資有限公司	Power Thrive International Investment Limited	19 January 2009	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	99%	99%
力高投資（國際）有限公司	Redco Investment (International) Co. Limited (Note (i))	17 October 2005	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$10,000	50%	50%
力高國際（香港）有限公司	Redco International (HK) Limited	8 November 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
興達國際實業有限公司	Bloom Trend International Industrial Limited	19 July 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
力高實業投資有限公司	Redco Industrial Investment Limited	28 June 2011	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(a) Details of the principal subsidiaries at 31 December 2013 and 2012 are set out below:- continued

Name of companies		Date of incorporation/ establishment	Type of legal status	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid up capital	Proportion of ownership interest 31 December 2013	2012
達榮國際投資有限公司	Fame Step International Investment Limited	13 January 2011	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
香港泉高投資有限公司	Hong Kong Spring Top Investments Limited	6 July 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
香港御高投資有限公司	Hong Kong Royal Lofty Investment Limited	6 July 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
力高置業（香港）有限公司（previously known as 香港力深實業有限公司）	Redco Properties (Hong Kong) Company Limited (previously known as Hong Kong Strength Force Industrial Limited)	6 July 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
香港濱江實業有限公司	Hong Kong Binjiang Industrial Limited	6 July 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
香港榮力發展有限公司	Hong Kong Wing Power Development	6 July 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	100%
香港力澤投資有限公司	Hong Kong Great Strength Investments Limited	6 July 2012	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	—	100%
康利投資（國際）有限公司	Hong Lee Investment (International) Company Limited	26 August 2013	Limited liability company	Hong Kong	Investment holding	HK$10,000/ HK$1	100%	—
江西萬和房地產開發有限公司	JiangXi Man Wo Property Develoment Co., Ltd.	24 September 2004	Wholly owned foreign enterprise	PRC	Property development in the PRC	HK$100,000,000/ HK$100,000,000	100%	100%

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(a) Details of the principal subsidiaries at 31 December 2013 and 2012 are set out below:- continued

Name of companies		Date of incorporation/ establishment	Type of legal status	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid up capital	Proportion of ownership interest 31 December 2013	2012
江西力高房地產開發有限公司	JiangXi Redco Property Development Co., Ltd	20 January 2010	Limited liability company	PRC	Property development in the PRC	HK$100,000,000/ HK$100,000,000	100%	100%
力高置業（江西）有限公司	Redco Development (JiangXi) Co., Ltd (Note (ii))	28 December 2005	Wholly owned foreign enterprise	PRC	Property development in the PRC	HK$150,000,000/ HK$150,000,000	50%	50%
合肥富泰房地產開發有限公司	Hefei Futai Property Development Co., Ltd	23 May 2001	Limited liability company	PRC	Property development in the PRC	RMB60,000,000/ RMB60,000,000	—	100%
合肥海祥房地產開發有限公司	Hefei Haixiang Property Development Co., Ltd.	13 June 2002	Limited liability company	PRC	Property development in the PRC	RMB118,000,000/ RMB118,000,000	—	100%
長豐聯華置業有限公司	Changfeng Lianhua Real Estate Co., Ltd.	27 June 2005	Limited liability company	PRC	Property development in the PRC	RMB50,750,000/ RMB50,750,000	80%	80%
山東恒嘉置業有限公司	Shandong Hengjia Real Estate Co., Ltd	14 December 2005	Limited liability company	PRC	Property development in the PRC	RMB10,000,000/ RMB10,000,000	100%	100%
山東力高房地產開發有限公司	Shandong Redco Real Estate Development Co., Ltd.	22 April 2004	Sino-foreign equity joint venture	PRC	Property development in the PRC	HK$100,000,000/ HK$100,000,000	100%	100%
泉州市濱江房地產開發有限公司	Binjiang Real Estate Development Co., Ltd. Quanzhou	20 December 2002	Sino-foreign equity joint venture	PRC	Property development in the PRC	RMB13,000,000/ RMB13,000,000	—	100%

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(a) Details of the principal subsidiaries at 31 December 2013 and 2012 are set out below:- continued

Name of companies		Date of incorporation/ establishment	Type of legal status	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid up capital	Proportion of ownership interest 31 December 2013	2012
力高（天津）地產有限公司	Redco (Tingjin) Real Estate Co., Ltd	2 April 2009	Wholly owned foreign enterprise	PRC	Property development in the PRC	HK$490,000,000 (2012: HK$490,000,000) HK$178,000,500 (2012: HK$178,000,500)	99%	99%
咸陽力高房地產開發有限公司	Xianyang Redco Property Development Co., Ltd	15 June 2012	Limited liability company	PRC	Property development in the PRC	RMB20,000,000/ RMB20,000,000	70%	70%
江西崇德房地產開發有限公司	Jiang Xi Chong De Real Estate Development Co., Ltd	28 October 2010	Wholly owned foreign enterprise	PRC	Property development in the PRC	HK$80,000,000/ HK$80,000,000	100%	—
煙台力高置業有限公司	Yantai Redco Develoment Co., Ltd	9 October 2012	Wholly owned foreign enterprise	PRC	Property development in the PRC	US$48,000,000/ US$34,000,000	100%	100%
煙台力高房地產開發有限公司	Yantai Redco Real Estate Develoment Co., Ltd	3 September 2001	Sino-foreign equity joint venture	PRC	Property development in the PRC	US$5,000,000/ US$5,000,000	—	100%
力高集團（福建）有限公司	Redco Group (Fujian) Co., Ltd	31 December 1996	Sino-foreign equity joint venture	PRC	Property development in the PRC	HK$41,880,000/ HK$41,880,000	—	100%
力高（中國）地產有限公司	Reaco (China) Real Estate Co., Ltd	15 September 2005	Sino-foreign equity joint venture	PRC	Property development in the PRC	HK$100,000,000/ HK$100,000,000	100%	100%
深圳興居貿易有限公司	Shenzhen Xingju Trading Co., Ltd	22 February 2012	Limited liability company	PRC	Construction work in the PRC	RMB1,000,000/ RMB1,000,000	100%	100%

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(a) Details of the principal subsidiaries at 31 December 2013 and 2012 are set out below:- continued

Name of companies		Date of incorporation/ establishment	Type of legal status	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid up capital	Proportion of ownership interest 31 December 2013	2012
深圳市今典設計顧問有限公司	Shenzhen Jindian Design Consulting Co., Ltd	25 May 2012	Limited liability company	PRC	Construction work in the PRC	RMB500,000/ RMB500,000	100%	100%
深圳創信工程造價諮詢有限公司	Shenzhen Chuangxin Construction Cost Consulting Co., Ltd.	25 May 2012	Limited liability company	PRC	Construction work in the PRC	RMB1,000,000/ RMB1,000,000	100%	100%
泉州市中恒工程建設有限公司 (formerly known as 泉州市力高工程建設有限公司)	Forever China (Quanzhou) Construction Co., Ltd. (formerly known as Redco Engineering Building Co., Ltd. Quanzhou)	6 July 1994	Sino-foreign equity joint venture	PRC	Construction work in the PRC and property development in the PRC	US$2,460,000/ US$2,460,000	—	100%
福建泉州市力高裝璜有限公司	Quanzhou Ligao Mount Co., Ltd. Fujian	24 December 1992	Sino-foreign equity joint venture	PRC	Decoration project in the PRC	RMB1,000,000/ RMB1,000,000	—	100%
泉州瑞峰房地產發展有限公司	Quanzhou Ruifeng Real Estate Development Co., Ltd. (Note (ii))	9 December 1994	Wholly owned foreign enterprise	PRC	Property development in the PRC	US$5,160,000/ US$5,160,000	—	50%
江西力嘉實業有限公司	Jiangxi Li Jia Industry Co. Ltd	29 May 2013	Limited liability company	PRC	Property development in the PRC	RMB2,000,000/ RMB0	—	—
深圳力高置業有限公司	Shenzhen Redco Real Estate Co, Ltd	26 August 2013	Limited liability company	PRC	Property development in the PRC	RMB1,000,000/ RMB1,000,000	51%	—
江西政力房地產開發有限公司	Jiangxi Zhengli Property Development Co., Ltd	22 October 2013	Limited liability company	PRC	Property development in the PRC	RMB200,000,000/ RMB200,000,000	51%	—

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(a) Details of the principal subsidiaries at 31 December 2013 and 2012 are set out below:- continued

(i) Although the Group owns not more than half of the equity interest in Redco Investment (International) Co., Limited ("Redco Investment"), it is able to control the financing and operating decisions since the Group and the other shareholder agreed that the directors of the Group have the casting vote in the Board of Directors' meeting for resolution of operating and major decisions. Consequently, the Group consolidates Redco Investment.

(ii) Although the Group owns not more than half of the equity interest in Quanzhou Ruifeng Real Estate Development Co., Ltd. ("Quanzhou Ruifeng") and Redco Development (Jiangxi) Co., Ltd. ("Redco Development"), it is able to control more than one half of the voting rights by virtue of the fact that 2 out of 3 and 3 out of 5 directors are elected by the Group, respectively. Consequently, the Group consolidates Quanzhou Ruifeng and Redco Development.

(iii) The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(b) Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts are denominated in RMB and approximates its fair value.

(c) Set out below are the summarised financial information of Redco Development and Quanzhou Ruifeng that have non-controlling interests that are material to the Group.

Summarised balance sheets

	Redco Development	
	2013 RMB'000	2012 RMB'000
Current		
Assets	419,179	428,147
Liabilities	(194,239)	(75,197)
Total current net assets	224,940	352,950
Non-current		
Assets	253	393
Liabilities	(22,687)	—
Total non-current net assets	(22,434)	393
Net assets	202,506	353,343

16 INVESTMENT IN A SUBSIDIARY, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND NON-CONTROLLING INTERESTS – continued

(c) Set out below are the summarised financial information of Redco Development and Quanzhou Ruifeng that have non-controlling interests that are material to the Group - continued

Summarised balance sheets - continued

	Quanzhou Ruifeng	
	2013 RMB'000	2012 RMB'000
Current		
Assets	—	262,562
Liabilities	—	(13,801)
Total current net assets	—	248,761
Net assets	—	248,761

Summarised income statement

	Redco Development	
	2013 RMB'000	2012 RMB'000
Revenue	27,228	704,267
Profit before income tax	12,343	256,078
Income tax expense	(4,181)	(90,614)
Total comprehensive income	8,162	165,464
Profit allocated to non-controlling interests	4,081	82,732

The income statement of Quanzhou Ruifeng is insignificant to the Group.

Summarised cash flows

	Redco Development	
	2013 RMB'000	2012 RMB'000
Net cash (used in)/generated from operating activities	(6,508)	122,588
Net cash used in financing activities	—	(139,000)
Net decreased in cash and cash equivalents	(6,508)	(16,412)
Cash and cash equivalents at beginning of year	26,913	43,325
Cash and cash equivalents at end of year	20,405	26,913

The cash flows of Quanzhou Ruifeng is insignificant to the Group.

A dividend of RMB159,000,000 was declared by Redco Development on 10 December 2013.

The information above is before inter-company eliminations.

17 INTEREST IN A JOINT VENTURE

Set out below is information on the joint venture of the Group as at 31 December 2013, which, in the opinion of the directors, is material to the Group.

(a) Nature of interest in a joint venture

Name of entity	Place of establishment principal/ place of business	% of ownership directly held interest 2013	% of ownership directly held interest 2012	Nature of the relationship	Measurement method
Redco Industry (Jiangxi) Co., Limited	PRC	50%	50%	Note 1	Equity

Note 1: Redco Industry (Jiangxi) Co., Limited was a wholly owned foreign enterprise incorporated on 28 July 2010. The principal activity is hotel operations in the PRC.

(b) Summarised financial information for a joint venture

Set out below is the summarised financial information of Redco Industry (Jiangxi) Co., Limited which is material to the Group.

Summarised balance sheet

	2013 RMB'000	2012 RMB'000
Current		
Cash and cash equivalents	12,858	28,874
Other current assets (excluding cash)	40,928	25,002
Total current assets	53,786	53,876
Financial liabilities (excluding trade payables)	—	(4,000)
Other current liabilities (including trade payables)	(33,394)	(40,896)
Total current liabilities	(33,394)	(44,896)
Total current net assets	20,392	8,980
Non-current		
Assets	371,303	385,871
Financial liabilities	(44,000)	(44,535)
Total non-current assets	327,303	341,336
Net assets	347,695	350,316
Net assets attributable to the Group's 50% interest (Note c)	173,848	175,158

17 INTEREST IN A JOINT VENTURE – continued

(b) Summarised financial information for a joint venture - continued

Summarised income statement

	2013 RMB'000	2012 RMB'000
Revenue	93,509	88,025
Depreciation	(18,965)	(19,283)
Operating income/(loss)	599	(7,685)
Interest income	45	—
Interest expenses	(3,265)	(2,975)
Total comprehensive loss	(2,621)	(10,660)

No dividend has been paid or declared by the joint venture since its establishment.

(c) Interest in a joint venture

	2013 RMB'000	2012 RMB'000
At beginning of the year	175,158	180,488
Share of loss	(1,310)	(5,330)
At end of the year	173,848	175,158
Amount due to a joint venture (Note and Note 35)	(22,687)	—
	151,161	175,158

Note: The amount due to a joint venture is interest-free, unsecured and has no fixed repayment terms. The carrying amount approximates its fair value.

18 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax liabilities, net, is as follows:

	2013 RMB'000	2012 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	—	13,917
– to be recovered after more than 12 months	27,008	15,967
	27,008	29,884
Deferred income tax liabilities		
– to be settled within 12 months	(7,174)	(7,327)
– to be settled after more than 12 months	(72,623)	(54,662)
	(79,797)	(61,989)
Deferred tax liabilities, net	(52,789)	(32,105)

The movements on the net deferred income tax liabilities are as follows:

	2013 RMB'000	2012 RMB'000
At beginning of year	(32,105)	(39,974)
(Charged)/ credited to the consolidated income statement (Note 12)	(20,684)	7,869
At end of year	(52,789)	(32,105)

Deferred tax assets:

	Tax losses	
	2013 RMB'000	2012 RMB'000
At beginning of year	29,884	12,759
(Charged)/credited to the consolidated income statement	(2,876)	17,125
At end of year	27,008	29,884

18 DEFERRED INCOME TAX – continued

Deferred tax liabilities:

	Fair value gain on acquisition of a subsidiary RMB'000	Interest capitalised RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2013	37,254	2,682	22,053	61,989
(Credited)/charged to consolidated income statement	(3,196)	(694)	21,698	17,808
At 31 December 2013	34,058	1,988	43,751	79,797
At 1 January 2012	51,916	817	—	52,733
(Credited)/charged to consolidated income statement	(14,662)	1,865	22,053	9,256
At 31 December 2012	37,254	2,682	22,053	61,989

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2013 and 2012, the unrecognised tax losses are as follows:

	2013 RMB'000	2012 RMB'000
Unrecognised tax losses	24,215	103,261

As at 31 December 2013, tax losses of approximately RMB15,369,000 (2012: RMB13,622,000) have no expiry date while the remaining tax losses of approximately RMB378,000, RMB393,000, RMB1,349,000, RMB3,313,000 and RMB3,413,000 (2012: RMB64,985,000, RMB378,000, RMB8,928,000, RMB5,337,000, RMB 10,011,000) will expire in 2014, 2015, 2016, 2017 and 2018 respectively (2012: 2013, 2014, 2015, 2016 and 2017 respectively).

During the year, tax losses amounting to RMB22,981,000 were expired while tax losses arising from disposed subsidiaries amounting to RMB62,394,000 were waived as no realization of the related benefit through future profits is probable.

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on undeclared dividends in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008.

Deferred income tax liabilities of approximately RMB45,087,000 (2012: RMB45,087,000) for the year ended 31 December 2013 have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

19 COMPLETED PROPERTIES HELD FOR SALE

	2013 RMB'000	2012 RMB'000
Amount comprised:		
Land use rights	119,563	47,112
Construction costs and capitalised expenditures	377,882	246,810
Interest capitalised	69,088	7,749
	566,533	301,671

Completed properties held for sale are all located in the PRC.

20 PROPERTIES UNDER DEVELOPMENT FOR SALE

	2013 RMB'000	2012 RMB'000
Within normal operating cycle included under current assets		
Amount comprised:		
Land use rights	1,533,892	1,404,476
Construction costs and capitalised expenditures	2,288,464	1,853,321
Interest capitalised	116,421	129,013
	3,938,777	3,386,810

The properties under development for sale are all located in the PRC.

	2013 RMB'000	2012 RMB'000
Properties under development for sale:		
Expected to be completed and available for sale after more than 12 months	1,110,151	1,324,651
Expected to be completed and available for sale within 12 months	2,828,626	2,062,159
	3,938,777	3,386,810
Pledged as collateral for the Group's borrowings	2,865,686	1,965,176

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	2013 RMB'000	2012 RMB'000
Current assets		
Other receivables	89,086	97,625
Deposits with local real estate associations (Note a)	106,800	130,793
Deposits with labour department	351	4,916
Deposits with treasury bureau	2,678	4,049
	198,915	237,383
Prepaid business tax and surcharges	219,391	167,324
Prepayment for construction costs	23,000	67,808
Prepayment for land use rights	1,422,749	80,000
	1,864,055	552,515

The Company

	2013 RMB'000	2012 RMB'000
Prepayments	5,764	23

Note:

(a) The deposits with local real estate associations included deposits with Jinan Real Estate Association (濟南市房地產業協會) in connection with the issue of pre-sale permit as required by the relevant regulations in respect of the Group's property development projects in Jinan.

(b) The fair values of other receivables, deposits and prepayments approximate their carrying amounts and are unsecured, interest-free and repayable on demand.

(c) The carrying amounts of the Group's other receivables, deposits and prepayments are denominated in the following currencies:

The Group

	2013 RMB'000	2012 RMB'000
RMB	1,858,049	550,864
HK$	6,006	1,651
	1,864,055	552,515

(d) The carrying amounts of the Company's prepayments are denominated in HK$.

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	2013 RMB'000	2012 RMB'000
Cash at bank and on hand	827,804	703,697
Restricted cash	132,296	202,850
Cash and cash equivalents and restricted cash	960,100	906,547

The Company

	2013 RMB'000	2012 RMB'000
Cash and cash equivalents	8	—

The carrying amounts of the Group's cash and cash equivalents and restricted cash are equivalent to their fair values and are denominated in the following currencies:

The Group

	2013 RMB'000	2012 RMB'000
RMB	943,609	795,736
HK$	7,699	6,172
US$	8,792	104,639
	960,100	906,547

The cash and cash equivalents and restricted cash denominated in RMB are deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Restricted cash comprises (i) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, and (ii) other bank deposits that are restricted in use for daily operational needs.

23 SHARE CAPITAL

	Number of share	Par value (HK$0.1 per share) HK$
Authorised:		
As at 1 January 2012, 31 December 2012 and 31 December 2013	3,800,000	380,000
Issued and fully paid:		
As at 1 January 2012 and 31 December 2012	100	10
Issuance of ordinary shares (Note)	100	10
As at 31 December 2013	200	20

Note:

On 29 July 2013, an additional 60 and 40 ordinary shares at par value of HK$0.1 each were allotted and issued to Global Universe and Times International to reflect the Reorganisation. The excess of net book amount of 100% equity interest in Redco HK of approximately HK$493,828,000 (equivalent to approximately RMB390,766,000) over par value of share issued of HK$20 was credited to contribution surplus of the Company.

24 RESERVES

The Group

	Retained earnings RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Total RMB'000
At 1 January 2012	190,770	86,080	70,943	134,402	482,195
Comprehensive income					
Profit for the year	65,771	—	—	—	65,771
Other comprehensive income/(loss)					
Currency translation differences	—	(1,708)	—	—	(1,708)
Transfer to statutory reserves	(26,152)	—	26,152	—	—
Total comprehensive income/(loss)	39,619	(1,708)	26,152	—	64,063
At 31 December 2012	230,389	84,372	97,095	134,402	546,258
Comprehensive income					
Profit for the year	400,179	—	—	—	400,179
Other comprehensive income/(loss)					
Currency translation differences	—	21,258	—	—	21,258
Transfer to statutory reserves	(566)	—	566	—	—
Total comprehensive income	399,613	21,258	566	—	421,437
Transactions with owner					
Dividends relating to 2012 and 2013	(78,750)	—	—	—	(78,750)
At 31 December 2013	551,252	105,630	97,661	134,402	888,945

The Company

	Contribution surplus RMB'000	Exchange reserve RMB'000	Accumulated (losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2012	—	1	(24)	(23)
Total loss and comprehensive loss for the year	—	—	—	—
At 31 December 2012	—	1	(24)	(23)
Total profit and comprehensive income for the year	—	(1,269)	190,186	188,917
Transactions with owners				
Issuance of ordinary shares (Note 23)	390,766	—	—	390,766
At 31 December 2013	390,766	(1,268)	190,162	579,660

25 BANK BORROWINGS, SECURED

	2013 RMB'000	2012 RMB'000
Long-term bank borrowings, secured	980,000	846,000
Portion of term loans from bank, secured		
– due for repayment within one year, secured	261,827	112,098
– due for repayment within one year which contain a repayment on demand clause, secured	10,117	660
– due for repayment after one year which contain a repayment on demand clause, secured	97,624	149,740
Short-term bank borrowings, secured	104,000	216,060
Current bank borrowings, secured	473,568	478,558
Total bank borrowings, secured	1,453,568	1,324,558

Bank borrowings are secured by certain properties under development for sale and properties held by a director. Bank borrowings mature from 2014 to 2024, and bear interest from 1.21% to 12.20% per annum.

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2013 RMB'000	2012 RMB'000
Amounts of borrowings that are repayable:		
– Within 1 year	375,944	328,818
– Between 1 and 2 years	730,664	405,704
– Between 2 and 5 years	342,713	584,975
– After 5 years	4,247	5,061
	1,453,568	1,324,558

The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	1,334,000	1,162,060
HK$	119,568	162,498
	1,453,568	1,324,558

26 TRADE AND OTHER PAYABLES

The Group

	2013 RMB'000	2012 RMB'000
Trade payables (Note a)	1,015,182	563,871
Accruals and other payables	647,490	112,806
	1,662,672	676,677

The Company

	2013 RMB'000	2012 RMB'000
Accrued expense	1,419	—

Note:

(a) The ageing analysis of the trade payables based on invoice date was as follows:

	2013 RMB'000	2012 RMB'000
0-30 days	926,681	550,676
31-60 days	11,016	3,398
61-90 days	8,428	2,728
Over 90 days	69,057	7,069
	1,015,182	563,871

(b) The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturity and are denominated in the following currencies:

The Group

	2013 RMB'000	2012 RMB'000
RMB	1,558,668	655,999
HK$	104,004	20,678
	1,662,672	676,677

(c) The carrying amounts of the Company's accrued expense are denominated in HK$.

27 RECEIPTS IN ADVANCE

The Group starts sales of properties and collection of proceeds from customers before the properties are completed and ready for delivery. Such proceeds from customers are recorded as advanced proceeds received from customers before the relevant sales are recognised.

28 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to net cash (used in)/generated from operations:

	2013 RMB'000	2012 RMB'000
Profit for the year	400,890	164,957
Income tax expense (Note 12)	428,445	151,404
Depreciation on property, plant and equipment (Note 14)	4,287	4,276
Finance income (Note 11)	(8,038)	(3,296)
Finance costs (Note 11)	3,215	4,218
Loss on disposal of property, plant and equipment	474	909
Share of loss of a joint venture (Note 17)	1,310	5,330
Impairment of goodwill (Note 15)	25,579	12,231
Gain on disposal of subsidiaries, net (Note 7)	(20,536)	—
Exchange differences	(1,448)	(1,181)
Operating profit before working capital change	834,178	338,848
Completed properties held for sale	(264,862)	486,011
Properties under development for sale	(466,757)	(866,295)
Other receivables and prepayments	(1,362,283)	(46,239)
Receipts in advance	(57,575)	856,821
Trade and other payables	756,209	(272,400)
Net cash (used in)/generated from operations	(561,090)	496,746

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2013 RMB'000	2012 RMB'000
Net book amount	474	909
Net loss on disposals of property, plant and equipment	(474)	(909)
Proceeds from disposals of property, plant and equipment	—	—

29 DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of several subsidiaries to independent third parties and all transactions were completed before year end date.

Net assets disposed of:	2013 RMB'000
Properties, plant and equipment (Note 14)	2,080
Prepaid taxes	3,487
Deposits, prepayment and other receivables	50,638
Amount due from group companies	860,141
Amount due from shareholders and directors	487,404
Amount due from related parties	96,456
Restricted cash	3,290
Cash and cash equivalents	15,740
Receipts in advance	(91)
Borrowings	(100,000)
Accounts payable	(20,018)
Accruals and other payables	(3,621)
Amounts due to shareholders and directors	(361,383)
Amounts due to group companies	(601,098)
Amounts due to related parties	(3,924)
Current income tax liabilities	(46,790)
Non-controlling interests	(124,011)
Net assets disposed of	258,300
Gain on disposal of subsidaries, net (Note 7)	20,536
Total consideration for the disposal of subsidiaries	278,836

An analysis of the net inflow of cash and bank balances in respect of the disposal of subsidiaries are as follows:

	2013 RMB'000
Satisfied by	
Cash consideration received by the Group	18,347
Consideration received by shareholders on behalf of the Group	260,489
	278,836
Net cash inflow arising from disposal	
Cash consideration	18,347
Bank balances and cash disposed of	(15,740)
	2,607

30 ACQUISITION OF PROPERTIES UNDER DEVELOPMENT FOR SALE

During the year ended 31 December 2013, the Group completed the acquisition of 100% equity interest of Maxprofit Globe Holdings Limited (利達集團有限公司) ("Maxprofit"). At the time of the acquisition, Maxprofit held 100% equity interest in Bloom Trend International Industrial Limited which held 100% equity interest in Jiang Xi Chong De Real Estate Development Co., Ltd. which holds the land use rights of Bluelake County in Nanchang. Before the acquisition by the Group, Maxprofit had no business activities except for holding land use rights. Accordingly, Maxprofit's activities did not constitute a business and the Group's intention of such acquisition was to acquire the land use rights held by Maxprofit for future property developments. Accordingly, such acquisition was accounted for as if it was an acquisition of the underlying land use rights and the cash flows were included in "properties under development for sale" within the operating activities in the consolidated statement of cash flows.

The allocation of acquisition consideration are as follows:

	At the date of acquisition RMB'000
Properties under development for sale	263,770
Fair value of net assets	263,770
Purchase consideration settled in cash	263,770
Consideration payable	(60,000)
Net cash outflow on acquisition	203,770

31 CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Contracted but not provided for:		
Land	773,761	84,058
Property development expenditures	983,436	1,431,558
	1,757,197	1,515,616

The Company did not have any significant capital commitments as at 31 December 2013 (2012: Nil).

32 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	2013 RMB'000	2012 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	1,566,684	831,256

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

(b) There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings (Note 25) as at 31 December 2013. The directors consider that the subsidiaries are able to sufficiently financially resourced to settle their obligations.

Same as disclosed above, the Group and the Company had no other significant contingent liabilities as at 31 December 2013 (2012: Nil).

33 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 December 2013, the Group had aggregate banking facilities of approximately RMB1,453,568,000 (2012: RMB2,331,900,000) for overdrafts, bank loans and trade financing. There were no unused facilities as at the same date (2012: RMB1,007,342,000).

These facilities are secured by:

(i) joint and several guarantee provided by Wong Yeuk Hung and Huang Ruoqing, the honorary chairman and the Executive Director of the Company and certain directors of the Group's subsidiaries;

(ii) properties held by Wong Yeuk Hung, the honorary chairman of the Company; and

(iii) certain properties under development for sale provided by the Group's subsidiaries.

34 EARNINGS PER SHARE

The basic earnings per share for the year ended 31 December 2013 is calculated based on the profit attributable to the equity holders of the Company.

	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	400,179	65,771
Weighted average number of shares in issue	1,200,000,000	1,200,000,000
Basic earnings per share (RMB)	0.3	0.1

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding to all the years presented.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been adjusted for the effect of the Reorganisation as set out in Note 1.2 and the Capitalization Issue of 1,199,998,800 shares on 14 January 2014 as set out in Note 38.

35 RELATED PARTY TRANSACTIONS

The Group is controlled by Wong Yeuk Hung and Huang Ruoqing, who own 60% and 40% of the Company's shares respectively.

The amounts due from/(to) related parties, joint venture, non-controlling interests and shareholders and directors are unsecured, interest-free, repayable on demand. The fair values approximate their carrying values and are denominated in RMB.

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
Redco Industry (Jiangxi) Co., Limited 力高實業(江西)有限公司	A joint venture
Fujian Qunsheng Group Co., Ltd. 福建群盛集團有限公司	A non-controlling interest of a subsidiary
Chen Huaimei 陳懷美	A non-controlling interest of a subsidiary
Cheng Ming-Kam 鄭銘坤	A non-controlling interest of a subsidiary
Top Plan (HK) Limited 泰平(香港)有限公司	A non-controlling interest of a subsidiary
Nanchang Municipal Public Construction Co., Ltd. 南昌市政公用建設有限公司	A non-controlling interest of a subsidiary
Fujian Hui Gao Investments Co., Ltd (Formerly known as Fujian Redco Property Development Co., Ltd) 福建匯高投資有限公司 (Formerly known as 福建力高房地產開發公司)	A company controlled by Mr. Huang
Quanzhou Sunshine Paris Commercial Club Company Ltd. 泉洲陽光巴黎商務會所有限公司	A company controlled by Mr. Huang
Yantai Mingshi Club Company Ltd 煙台名仕會所有限公司	A company controlled by Mr. Huang
Hefei Redco Asset Operation Management Co., Ltd. 合肥力高資產經營管理有限公司	A company controlled by Mr. Huang
Wong Yeuk Hung 黃若虹	A major shareholder and director of the Group
Huang Ruoqing 黃若青	A major shareholder and director of the Group

35 RELATED PARTY TRANSACTIONS – continued

(a) *Balances with related parties*

The amounts due from/(to) related parties, non-controlling interests and shareholders and directors and a joint venture are subject to offsetting, legally enforceable master netting arrangements and similar agreements as shown below:

The Group

	2013 RMB'000	2012 RMB'000	Nature
Amounts due from related parties			
– Hefei Redco Asset Operation Management Co., Ltd.	—	21,553	Trade and non-trade
– Fujian Hui Gao Investment Co., Ltd. (Formerly known as Fujian Redco Property Development Co., Ltd.)	—	68,512	Non-trade
	—	90,065	

Maximum debit balances during the year	2013 RMB'000
– Hefei Redco Asset Operation Management Co., Ltd.	26,553
– Fujian Hui Gao Investment Co., Ltd. (formerly known as Fujian Redco Property Development Co., Ltd.)	78,479
	105,032

35 RELATED PARTY TRANSACTIONS – continued

(a) *Balances with related parties – continued*

The Group

	2013 RMB'000	2012 RMB'000	Nature
Amounts due to related parties			
– Heifei Redco Asset Operation Management Co., Ltd.	5,000	—	Non-trade
– Fuijian Hui Gao Investment Co., Ltd. (formerly known as Fujian Redco Property Development Co., Ltd.)	887	—	Non-trade
– Quanzhou Sunshine Paris Commercial Club Company Ltd.	—	1,094	Non-trade
	5,887	1,094	
Amounts due from non-controlling interests			
– Top Plan (HK) Limited	176,615	247,615	Non-trade
– Cheng Ming-Karn	200	200	Non-trade
– Fujian Qunsheng Group Co., Ltd.	—	19,997	Non-trade
	176,815	267,812	
Amounts due to non-controlling interests			
– Nanchang Municipal Public Construction Co., Ltd.	618,596	—	Non-trade
– Top Plan (HK) Limited	91,018	32,710	Non-trade
– Chen Huaimei	32,000	14,000	Non-trade
	741,614	46,710	
Amounts due from/(to) shareholders and directors			
– Wong Yeuk Hung	79,478	(96,850)	Non-trade
– Huang Ruoqing	52,986	(64,566)	Non-trade
	132,464	(161,416)	
Amount due to a joint venture			
– Redco Industry (Jiangxi) Co., Limited	22,687	—	Non-trade

The Company

	2013 RMB'000	2012 RMB'000	
Amounts due from/(to) subsidiaries			
– Redco Properties Holdings Limited	199,000	—	Non-trade
– Redco Holdings (Hong Kong) Co., Limited	(11,513)	(23)	Non-trade
– Jiangxi Man Wo Property Development Co., Ltd.	(1,520)	—	Non-trade
	185,967	(23)	
Amount due to a shareholder and director			
– Wong Yeuk Hung	22	23	Non-trade

35 RELATED PARTY TRANSACTIONS – continued

(a) *Balances with related parties – continued*

Gross amounts of recognised financial assets and financial liabilities set off in the consolidated balance sheet are:

The Group

	2013 RMB'000	2012 RMB'000	Nature
Amounts due from related parties			
– Hefei Redco Asset Operation Management Co., Ltd.	—	26,553	Trade and non-trade
– Fujian Hui Gao Investment Co., Ltd. (Formerly known as Fujian Redco Property Development Co., Ltd.)	—	78,479	Non-trade
	—	105,032	
Amounts due to related parties			
– Hefei Redco Asset Operation Management Co., Ltd.	5,000	5,000	Non-trade
– Fujian Hui Gao Investment Co., Ltd. (Formerly known as Fujian Redco Property Development Co., Ltd.)	887	9,967	Non-trade
– Quanzhou Sunshine Paris Commercial Club Company Ltd.	—	1,094	Non-trade
	5,887	16,061	

(b) *Key management compensation*

Key management includes directors and top management. The compensation paid or payable to key management for employee services is shown below:

	2013 RMB'000	2012 RMB'000
Salaries, bonus and other benefits	1,176	668
Pension costs – defined contribution plan	142	90
	1,318	758

Save as disclosed above and the transactions and balances detailed in Notes 10 and 35 to the consolidated financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2013 and 2012.

36 MAJOR NON-CASH TRANSACTIONS

a) During the year ended 31 December 2013, the Group disposed of several subsidiaries at total consideration of RMB278,836,000, of which RMB260,489,000 were received by shareholders on behalf of the Group (Note 29).

b) During the year ended 31 December 2013, the subsidiaries of the Group declared a total dividend of RMB78,750,000 to the non-controlling interests of the subsidiaries which were not yet settled as at year end date (Note 24).

37 DIVIDENDS

	2013 RMB'000	2012 RMB'000
Interim dividend - RMB750,000 (2012: Nil) per share	150,000	—
Proposed final dividend - RMB5 cents (2012: Nil) per share	80,000	—
	230,000	—

The interim dividend was declared on 14 Janary 2014 and paid on 15 January 2014.

A proposed final dividend in respect of the year ended 31 December 2013 of RMB5 cents per share, amounting to approximately RMB80,000,000, is to be proposed at the forthcoming annual general meeting on 20 June 2014.

The consolidated financial statements do not reflect these dividend payables.

38 SUBSEQUENT EVENTS

(a) Capitalisation Issue

On 14 January 2014, pursuant to the resolution of the then shareholders of the Company, it was approved for the Company to issue 1,199,999,800 ordinary shares of HK$0.1 each to such shareholders by way of capitalization of HK$119,999,980 (equivalent to RMB94,321,184) from the share premium account upon listing of the Company's shares on the Stock Exchange (the "Capitalisation Issue"). Such shares were issued on 30 January 2014, being the date on which dealings in the shares of the Company first commence on the Stock Exchange (the "Listing Date").

(b) Initial Global Offering

On 30 January 2014, the Company issued a total of 400,000,000 ordinary shares HK$0.1 each at a price of HK$2.6 per share as a result of the completion of the Initial Global Offering. Of the total gross proceeds, HK$1,000,000 (equivalent to RMB786,010,000) representing the par value was credited to the Company's share capital account and HK$960,000,000 (equivalent to RMB754,569,600) was credited to its share premium account. Number of total issued shares of the Company was increased to 1,600,000,000 shares upon completion of the Initial Global Offering and the Capitalisation Issue.

(c) Settlement of amounts due from shareholders and directors

Prior to the Listing Date, the shareholders and directors settled all its current accounts with the Group by way of settlement of the Group's certain other payable balances directly to respective creditors on behalf of the Group.

(d) Acquisition of the land use right for the land located in Jiangxi

On 5 March 2014, the Group received a written notice from Jiangxi Land Resources Bureau confirming that the bid made by the Group of RMB340,100,000 for the land use right for the land located in Jiangxi, the PRC, through a transfer by public listing process was successful.

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the audited financial statements and the Company's prospectus dated 21 January 2014, is set out below:

	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Revenue	1,528,300	1,355,999	1,550,942	**2,984,586**
Gross profit	328,244	269,134	458,164	**966,127**
Operating profit	264,204	168,074	322,613	**825,822**
Profit before income tax	265,566	162,229	316,361	**829,335**
Profit for the year	141,582	101,961	164,957	**400,890**
Attributable to:				
Equity holders of the Company	117,535	85,420	65,771	**400,179**
Non-controlling interests	24,047	16,541	99,186	**711**
	141,582	101,961	164,957	**400,890**
Non-Current Assets	357,819	339,531	338,880	**285,470**
Current Assets	3,422,142	4,517,028	5,602,505	**7,716,116**
Current Liabilities	2,760,613	3,257,266	4,199,468	**5,790,284**
Non-current Liabilities	520,300	934,693	907,989	**1,059,797**
Total Equity	499,048	664,600	833,928	**1,151,505**

Project	City	% of interest attributable to the Group	Actual/ Expected completion date	Address	Project type
Crown International	Nanchang	50%	Q4 2011	No.288 Yanjiang Middle Avenue, Xihu District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Crown Plaza Nanchang Riverside Hotel (Note)	Nanchang	50%	Q3 2011	Nos. 258 and 266 Yanjiang Middle Avenue, Xihu District, Nanchang, Jiangxi Province, PRC	Commercial
Spain Standard	Nanchang	100%	Q4 2014	Jinsha 2nd Road, Xianghu Xin Cheng, Nanchang County, Nanchang, Jiangxi Province, PRC	Residential and commercial
Riverside International	Nanchang	100%	Q4 2014	Intersection of Binjian Road and Yujin Road, Chaoyang Xin Cheng, Xihu District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Bluelake County	Nanchang	100%	Q3 2016	Shouth of Lian'an Road, East of Cheng'an Road, Xianghu Xin Cheng, Nanchang County, Nanchang, Jiangxi Province, PRC	Residential and commercial
Riverlake International	Nanchang	51%	Q2 2017	West of Chuangxin First Road, North and east of Planned Road, South of Provincial Academy of Scienes, Gaoxin District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Sunshine Coast	Tianjin	99%	Q4 2028	South of Haibin Avenue, Binhai Tourism District, Tianjin, PRC	Residential and commercial
Land Lot Nos. A1 and A2	Tianjin	99%	Q2 2018	Land Lot Nos. A1 and A2, Binhai Tourism District, Tianjin, PRC	Residential and commercial
Redco International	Jinan	100%	Q3 2014	North of Hanyuan Avenue, East of Tiyu West Road, Lixia District, Jinan, Shangdong Province, PRC	Residential and commercial
Splendid the Legend	Jinan	100%	Q2 2013	No.99 Sankongqiao Street, Tianqiao District, Jinan, Shangdong Province, PRC	Residential and commercial
Scenery Holiday	Jinan	100%	Q1 2012	No.111 Huayuan Road, Lixia District, Jinan, Shangdong Province, PRC	Residential and commercial
Sunshine Coast - Phase I	Yantai	100%	Q2 2016	East of Nongda Road, Gaoxin District, Yantai, Shangdong Province, PRC	Residential and commercial
Mix Kingdom Redco	Hefei	80%	Q2 2015	Mengcheng North Road, Shuangfeng Industrial Zone, Changfeng County, Hefei, Anhui Province, PRC	Residential and commercial
Royal City - Phase I	Xianyang	70%	Q2 2016	Zhonghua West Road, Gaoxin District, Xiangyang, Shaanxi Province, PRC	Residential and commercial
Royal International	Shenzhen	51%	Q4 2016	Lot No. G11337-0095, Pingshan New District, Shenzhen, Guangdong Province, PRC	Residential and commercial

Note:

Crown Plaza Nanchang Riverside Hotel was held by 力高實業（江西）有限公司 (Redco Industry (Jiangxi) Co., Ltd.*), a joint venture of the Company as at the date of this report.

* for identification purposes only