SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755

ANNUAL REPORT
2013

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Dai Zhikang *(Chairman)*
Mr. Wang Fujie
Mr. Zuo Xingping
Mr. Tang Jian

Non-executive Directors

Mr. Wu Yang
Mr. Zhu Nansong
Mr. Xu Xiaoliang
Mr. Gong Ping

Independent Non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Mr. Li Man Wai
Mr. Cai Gaosheng

COMMITTEES

Executive Committee

Mr. Wang Fujie *(Chairman)*
Mr. Dai Zhikang
Mr. Zuo Xingping
Mr. Tang Jian

Audit Committee

Mr. Li Man Wai *(Chairman)*
Mr. Lai Chik Fan
Mr. Lo Mun Lam, Raymond

Remuneration Committee

Mr. Lo Mun Lam, Raymond *(Chairman)*
Mr. Dai Zhikang
Mr. Lai Chik Fan
Mr. Cai Gaosheng

Nomination Committee

Mr. Dai Zhikang *(Chairman)*
Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan

CORPORATE INFORMATION

PRINCIPAL BANKERS

Standard Chartered Bank
Citic Ka Wah Bank Limited
Bank of Communication
Shanghai Pudong Development Bank
Agricultural Bank of China

SOLICITORS

Hong Kong

K&L Gates
44th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Bermuda

Appleby
2206-19
Jardine House
1 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6108
61/F, The Centre
99 Queen's Road Central
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Wong Ngan Hung

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 54, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") hereby announces the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 (the "year" or "year under review").

During the year under review, turnover of the Group amounted to approximately HK$2,227,663,000, representing a substantial increase of 98% against approximately HK$1,122,891,000 in 2012. As the one-off gain on disposal of subsidiaries in the previous financial period was not recorded in the year, profit attributable to shareholders of the Company (the "Shareholders") decreased significantly by 86% to approximately HK$79,347,000 as compared to approximately HK$554,702,000 last year. Basic earnings per share of the Company (the "Share") were HK0.59 cents (2012: HK4.5 cents).

The Group's turnover and profit for the year under review were mainly generated from:

- Delivery of residential properties in Qingdao Zendai Thumb Plaza
- Delivery of residential properties in Xizhen, Changchun, Jilin and Haimen
- Delivery of commercial space at Zendai Xizhen Thumb Plaza
- Delivery of "Mandarin Palace" villas
- Reversal of over provision for land appreciation tax and dividend tax in the previous year

Radisson Blu Hotel Pudong Century Park

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2013, as the global economy lacked growth momentum and the US Federal Reserve officially cut back on its quantitative easing policy, the global economic outlook remained uncertain. Meanwhile, the overall economic growth in China began to slow down, while the real estate market in China continued to grow amid fluctuations. During the year, the PRC government endeavoured to establish and improve the long-term mechanism to guide the healthy development of the real estate market. However, regulations on the real estate market remained. Following the launch of the "Five National Regulations", various local governments also formulated detailed rules for regulating the real estate market. The launch of regulations such as "Seven Regulations of Beijing", "Seven Regulations of Shanghai" and "Six Regulations of Guangzhou" cast many uncertainties for the real estate market.

Despite that the government continued to implement austerity measures on the real estate market, the land and residential property prices still increased steadily driven by the high rigid demand. During the year under review, the Group continued to strengthen its position as an integrated real estate group specialising in high-end residential and commercial properties, and develop a balanced property portfolio which caters for market needs adhering to a prudent and aggressive strategy. While striving to achieve new progress for its existing projects, the Group also endeavoured to identify investment opportunities with high potential in various cities in China in response to the government's efforts to speed up the pace of urbanisation, and further expanded the development of "Thumb" commercial complexes, with a view to providing high-quality, innovative and competitive projects for the market.

During the year under review, the Group also actively sought for favourable opportunities to expand its land bank in a timely manner, in order to promote long-term sustainable development for its businesses. In January 2013, the Group won the bid for a parcel of land at Longhe Industrial Zone in Langfang, Hebei Province at a consideration of RMB123,000,000 (equivalent to approximately HK$151,300,000), which was intended to be developed into a residential property with a total gross floor area of 90,984 square metres to cater for the housing demand brought by the high population density in the area. Meanwhile, in order to achieve portfolio diversification, in addition to the overseas project located in New Zealand, the Group further expanded its land bank to South Africa. In November 2013, the Group signed a contract to acquire a real estate project located in Johannesburg, South Africa, with an area of approximately 1,600 hectares, at a total consideration of approximately ZAR1,060,980,000 (equivalent to approximately HK$838,170,000). The project is favourably located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, posing tremendous potential for development. To capture the potential opportunities, we plan to develop the project into an integrated complex comprising residential, commercial, light industrial and retail development projects. The Group continuously improved its business model of diversified development, thus generating a more stable income stream to the Group.

CHAIRMAN'S STATEMENT

COMMERCIAL PROPERTY PROJECTS IN CHINA

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza is a modern integrated commercial complex in a prime location near Shanghai's Century Park and the Lujiazui financial district. During the year under review, the Group delivered 697 square metres of commercial space at the Shanghai Zendai Thumb Plaza, generating a delivered amount of approximately RMB45,302,000 (equivalent to approximately HK$56,762,000). As at 31 December 2013, the area of retail shops in the Plaza owned by the Group covered a total gross floor area of 40,333 square metres with 430 underground car-parking spaces. As at 31 December 2013, more than 90% of the commercial space in the Plaza had been leased. Rental income recognised during the year was approximately RMB86,601,000 (equivalent to approximately HK$108,509,000).

Radisson Blu Hotel Pudong Century Park

The Group's five-star Radisson Blu Hotel is located in Zendai Thumb Plaza in Shanghai. The 18-storey hotel boasts a gross floor area of 31,529 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. It is managed under the "Radisson Blu" brand by Carlson Companies. The average occupancy rate of the hotel was 65% in 2013. Total income of the hotel during the year reached approximately RMB115,690,000 (equivalent to approximately HK$144,983,000), approximating to the income of the same period last year.

Himalayas Center

The Group's 45%-owned Zendai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, Shopping Centre, the DaGuan Theatre and the Himalayas Art Museum. The project occupies a site area of 28,893 square metres with a total gross floor area (including underground parking space of 26,287 square metres) of approximately 162,207 square metres.

The Jumeirah Himalayas Hotel Shanghai, a five-star hotel in China managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a total gross floor area of 60,452 square metres, providing 401 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with No. 7 metro line and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 73%, generating a total income of approximately RMB168,165,000 (equivalent to approximately HK$210,707,000), approximating to the income of the same period last year.

CHAIRMAN'S STATEMENT

Town Center, Modderfontein, Project in Johannesburg, South Africa (rendering)

In November 2012, the Jumeirah Himalayas Hotel Shanghai was named the International Hotel of the Year in the European Hospitality Awards 2012, listed as one of the Top 100 Hotels in China by "Travel & Leisure" magazine and was voted the 2012 Best in Design Hotel by "City Traveler" magazine. Besides, the hotel was also named the best MICE hotel in 2013 by "City Tour" magazine and "Shanghai Talk" magazine, and the hotel's Arte Café & Lounge was named the Best Buffet Restaurant in 2013 by "TimeOut" magazine.

During the year under review, around 84% of the commercial space of the Shopping Centre (gross leasable area of which was 22,755 square metres) was leased, generating a rental income of approximately RMB16,404,000 (equivalent to approximately HK$20,554,000). The Himalayas Art Museum is the first large outdoor museum in the world and also the arts core of the Himalayas Center, an outdoor platform of contemporary and classical art; whereas the DaGuan Theatre contains a performing stage with a seating capacity of 1,100 and the official venue of the Shanghai International Film Festival.

Parcel of Land in Qingpu District

The Group owns a 140,099 square metre parcel of land in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end apartments, retail shops, hotels and a clubhouse in two phases, with a total gross floor area of approximately 162,229 square metres.

Phase I with a gross floor area of approximately 98,479 square metres will be developed into residential properties (40,946 square metres) and commercial areas (57,533 square metres). The Group intends to recruit tenants for commercial space including large international cinemas, mid-range to

CHAIRMAN'S STATEMENT

high-end restaurants and supermarkets. During the year under review, total residential and commercial saleable areas of 8,244 square metres and 6,051 square meters were sold respectively, generating a total contract value of approximately RMB161,458,000 (equivalent to approximately HK$202,303,000) and approximately RMB185,208,000 (equivalent to approximately HK$232,061,000) respectively. As at 31 December 2013, total residential and commercial saleable areas of 13,724 square metres and 9,357 square metres had been sold respectively, generating a total contract value of approximately RMB266,383,000 (equivalent to approximately HK$333,771,000) and approximately RMB272,592,000 (equivalent to approximately HK$341,551,000) respectively. Residential and commercial areas of 5,160 square metres and 5,152 square metres were delivered respectively during the period, and a total contract value of approximately RMB99,080,000 (equivalent to approximately HK$124,145,000) and approximately RMB145,878,000 (equivalent to approximately HK$182,782,000) was recognised as turnover respectively.

Construction of Phase II with a gross floor area of approximately 70,750 square metres commenced in the fourth quarter of 2013, with a commercial plaza (46,050 square metres) and a resort hotel (24,700 square metres) to be erected. The commercial plaza will start pre-sale in the third quarter of 2014, and the whole project is expected to complete in 2015.

Other Cities

Nanjing South Train Station Thumb Plaza

In July 2012, the Group won the bid for the G15 land parcel with an area of approximately 93,526 square metres in a prime location around Nanjing South Train Station at a consideration of RMB1,169,000,000 (equivalent to approximately HK$1,437,354,000). In January 2013, the Group signed the land transfer contract in respect of the sales and purchase of the land and paid 50% of the land transfer premium, while the balance amount was paid in June 2013. The site is planned to be developed into the "Nanjing South Train Station Thumb Plaza" with a total gross floor area of approximately 600,000 square metres, marking an important advance in the Group's implementation of the development of "Thumb Integrated Commercial Projects". The project will be developed in two phases.

In November 2012, the Group sold 10% equity interest in the project company of the land development to Gefei Asset Management, an investment fund, at a consideration of RMB120,000,000 (equivalent to approximately HK$147,547,000), and Gefei Asset Management will provide an entrusted loan in the amount of RMB580,000,000 (equivalent to approximately HK$713,144,000) to the Group. The transaction was completed in January 2013. The Group is of the view that the land parcel has good development potential, and that the strategic cooperation with the investment fund to jointly develop the land parcel will enable the Group to maintain the potential profit and enhance its financial flexibility in the development process.

CHAIRMAN'S STATEMENT

The first phase of the project has a total gross floor area of approximately 180,000 square metres, including 57,000 square metres of office building, 5,000 square metres of commercial space, 20,000 square metres of hotel, 38,000 square metres of service apartments and 60,000 square metres of underground car-park. Construction of the first phase started in September 2013 and pre-sale is expected to begin in the fourth quarter of 2014.

The second phase of the project is intended to be developed into service apartments, a commercial complex, commercial streets and office buildings, covering a total gross floor area of approximately 420,000 square metres, including 100,000 square metres of service apartments, 95,000 square metres of commercial space, 85,000 square metres of office building and 140,000 square metres of underground car-park. Construction of the second phase is scheduled to commence in the third quarter of 2014.

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central business area, Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 215,860 square metres. It includes retail shops (66,928 square metres), a hotel (24,560 square metres), service apartments (66,815 square metres) and a car-park (57,557 square metres).

During the year under review, a total saleable area of service apartments of 13,898 square metres was sold, generating a total contract value of approximately RMB182,858,000 (equivalent to approximately HK$229,117,000). As at 31 December 2013, a total saleable area of 40,924 square metres had been sold, generating a contract value of approximately RMB627,832,000 (equivalent to approximately HK$786,658,000) for the Group. During the year, 31,814 square metres were delivered and the contract value of approximately RMB491,595,000 (equivalent to approximately HK$615,957,000) was recognized as turnover. Retail shops and car-parks, which have been retained for leasing, commenced operation in May 2012. As at 31 December 2013, more than 89% of the commercial space was leased, generating a rental income of approximately RMB23,800,000 (equivalent to approximately HK$29,821,000) during the year. Meanwhile, construction of the hotel was finished in February 2014 and the hotel is managed by the Group's own hotel management company with the Group's own Himalayas hotel brand. Himalayas Qingdao Hotel had its soft opening ceremony on 25 March 2014.

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza occupies a total gross floor area of 281,912 square metres. Shanghai Zendai for its part owns 50% equity of the land parcel and is to assume a leading role in the management of the project. Due to its prime location, the project has been included among the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a saleable and leasable area of approximately 272,536 square metres (including car-parking space and ancillary facilities of 34,044 square metres).

CHAIRMAN'S STATEMENT

Construction is divided into three phases. The first phase, with a total leasable commercial area of approximately 39,364 square metres, already commenced operation in 2012. As at 31 December 2013, 80% of the commercial space had been leased. The second phase is a residential project with a total gross floor area of approximately 105,122 square metres. As at 31 December 2013, a total saleable area of 45,231 square metres had been sold, generating a total contract value of RMB636,438,000 (equivalent to approximately HK$797,441,000). During the year under review, areas of 16,935 square metres and 11,853 squares metres were sold and delivered respectively, generating a total contract value and delivered amount of RMB264,031,000 (equivalent to approximately HK$330,824,000) and RMB160,429,000 (equivalent to approximately HK$201,013,000), respectively. The third phase is to cover a total leasable and saleable area of approximately 128,050 square metres, comprising a commercial area of 84,122 square metres and a residential area of approximately 43,928 square metres, and construction is expected to commence in the second half of 2014.

Qingdao Shangshi International Plaza

The Group has a 45% interest in a parcel of land in the southwestern Laoshan District of Qingdao City, Shandong Province covering approximately 43,613 square metres. Bordered by the Hong Kong Road to its south and Songling Road to its west, this site is intended for the development of an integrated project "Qingdao Shangshi International Plaza" which comprises service apartments, residential apartments and an underground car-park. The project, occupying a total gross floor area of approximately 143,000 square metres, is to be constructed in phases. Phase I, occupying a site area of 26,505 square metres, was developed into five 28-to 30-storey high-end residential buildings with a total gross floor area of approximately 66,190 square metres, which were completed and delivered in 2010. During the year under review, the remaining site area of 17,108 square metres was sold.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, Jiangsu Province, including a cultural sightseeing area and a commercial district. The project, to be developed in two phases, is to have a total saleable area of approximately 81,200 square metres. The construction of Phase I was completed in 2010, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. During the year under review, the Group sold and delivered 393 square metres of commercial space, generating a total contract value of approximately RMB17,727,000 (equivalent to approximately HK$22,212,000). As at 31 December 2013, the Group still owned an area of approximately 19,696 square metres, which will be retained for leasing. Planning of Phase II is currently underway.

Project in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities. Related layouts and concrete design are currently on the drawing board.

CHAIRMAN'S STATEMENT

A Parcel of Land in Jingyue Economic Development Zone, Changchun City, Jilin Province

In September 2012, the Group acquired a parcel of land in Changchun City, Jilin Province at a consideration of approximately RMB76,920,000 (equivalent to approximately HK$95,022,000), which is intended to be developed into a commercial property comprising retail shops, offices and service apartments. The land parcel is located at the core business and commercial center of the western urban area of Jingyue Economic Development Zone, Changchun City, with a total site area of approximately 17,354 square metres and a total gross floor area of approximately 118,775 square metres, including 11,239 square metres of retail space, 83,842 square metres of office space and 23,694 square metres of an underground car-park. Construction started in May 2013 and pre-sale is expected to begin in the third quarter of 2014.

RESIDENTIAL PROJECTS IN CHINA

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, comprises 54 villas with a total saleable area of approximately 39,347 square metres. The project is to be developed in two phases. The first phase comprises 47 villas with a total saleable area of 33,636 square metres. The second phase, comprising seven villas with a total saleable area of 5,711 square metres, was all sold as at 31 December 2012, generating a total contract value of approximately RMB338,000,000 (equivalent to approximately HK$417,542,000). Three villas with an area of 1,947 square metres were delivered during the year under review and a contract value of approximately RMB137,538,000 (equivalent to approximately HK$172,332,000) was recognised as turnover.

Historical building in Modderfontein, Project in Johannesburg, South Africa

Founders Hill Office Park, Modderfontein, Project in Johannesburg, South Africa

CHAIRMAN'S STATEMENT

Other Cities

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres. The first parcel covers 576,295 square metres and is to be developed in two parts. "Dong Zhou Mansion", the first part of the parcel, is being developed in three phases with Phase I offering 52 villas which were all sold out. Phases II and III of the "Dong Zhou Mansion" are still in the planning stage.

"Multiflora Garden", on the other part of the first parcel, is being developed in five phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres. As at 31 December 2013, all the units had been sold and an area of 6,815 square metres remained undelivered.

Besides, Phase III of Multiflora Garden has a saleable area of approximately 91,817 square metres. As at 31 December 2013, a total saleable area of 55,015 square metres had been sold, generating a total contract value of approximately RMB344,444,000 (equivalent to approximately HK$431,580,000). During the year, a total saleable area of approximately 13,478 square metres was sold, generating a total contract value of approximately RMB80,279,000 (equivalent to approximately HK$100,588,000). During the year, an area of 7,768 square metres was delivered and a total contract value of approximately RMB55,483,000 (equivalent to approximately HK$69,519,000) was recognised as turnover in the year.

The other parcel with an area of approximately 812,726 square metres is being developed into residential properties in phases.

The first phase, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2013, a cumulative area of 47,901 square metres had been sold, generating a total contract value of approximately RMB215,324,000 (equivalent to approximately HK$269,796,000). A total area of 4,656 square metres was sold during the year, generating a total contract value of approximately RMB15,993,000 (equivalent to approximately HK$20,039,000). During the year under review, an area of 5,790 square metres was delivered and a total contract value of approximately RMB27,684,000 (equivalent to approximately HK$34,687,000) was recognised as turnover.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 148,059 square metres, is to be developed into small high-rise residential properties in two phases with a saleable area of 244,787 square metres. The first phase offers a saleable area of 81,394 square metres. As at 31 December 2013, a cumulative

area of 32,221 square metres had been sold, generating a total contract value of approximately RMB147,686,000 (equivalent to approximately HK$185,047,000). During the year, an area of 26,825 square metres was sold, generating a total contract value of approximately RMB124,252,000 (equivalent to approximately HK$155,685,000), of which an area of 17,886 square metres involving a contract value of approximately RMB82,588,000 (equivalent to approximately HK$103,481,000) was delivered. Other aspects of the development are still under planning.

The Phase III, named as Spanish Exotic Street with a site area of 5,319 square metres, is to be developed into a commercial plaza with a saleable area of 7,497 square metres.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 122,890 square metres. The construction of the first phase, with a saleable area of 25,221 square metres, commenced in March 2011, and pre-sale already started in the fourth quarter of 2012.

Parcel of land at Changpu Road, Langfang, Hebei Province

The Group owns a parcel of land with an area of 105,534 square metres at Longhe Industrial Zone, Langfang, Hebei Province, which will be developed into an integrated complex with high-end residential properties, commercial spaces and offices with a total saleable area of 247,249 square metres, of which 180,794 square metres, 52,155 square metres and 14,300 squares metres will be for residential, commercial and office uses respectively. Construction on the parcel of land already commenced in May 2013 and pre-sale started in March 2014.

Parcel of Land at Longhe Industrial Zone in Langfang, Hebei Province

In January 2013, the Group succeeded in the bid for a parcel of land at Longhe Industrial Zone in Langfang, Hebei at a consideration of RMB123,000,000 (equivalent to approximately HK$151,946,000). As the relatively high industrial output and high population density of Longhe Industrial Zone in Langfang will have a positive impact on the demand of housing, the Group is planning to develop the parcel of land with a site area of approximately 45,492 square metres into a residential property with a gross floor area of 90,984 square metres in order to cater for the local demand. Construction is expected to commence in the second half of 2014.

CHAIRMAN'S STATEMENT

Bird view of residential project in New Zealand

Parcel of Land in Yantai Development Zone

The Group and 煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited*) entered into a cooperation agreement to develop "Yantai Thumb Project" on the parcel of land, in which Shanghai Zendai holds 70% equity interests. The project occupies an area of 26,476 square metres and is still under planning stage.

Overseas Project

Residential project in New Zealand

In November 2012, Top Harbour Limited, a company incorporated in New Zealand and in which the Group holds 45% equity interests, acquired a parcel of land in Whangaparaoa Peninsula, Auckland, New Zealand with an area of approximately 320,000 square metres. The site is about 25 kilometres away from downtown Auckland and is intended to be developed as high-end residential development. The project, with a total gross floor area of approximately 170,000 square metres, can be developed into about 1,000 detached houses with a gross floor area of approximately 147,000 square metres, a 200-room hotel with a gross floor area of approximately 20,000 square metres, commercial space of 2,000 square metres and an office tower of 1,000 square metres. The project will be developed in phases. The first phase offers 37 residential portions with a total gross floor area of 7,400 square metres and buyers are mainly local builders in Auckland. During the year, 17 residential portions with an area 3,400 square metres were sold, generating a total contract value of approximately NZD5,865,000 (equivalent to approximately HK$37,285,000). The whole project will be completed in five years.

Project in Johannesburg, South Africa

In November 2013, the Group acquired a real estate development project located in Johannesburg, South Africa at a total consideration of approximately ZAR1,060,980,000 (equivalent to approximately HK$838,170,000). The project is favourably located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, comprising certain land parcels and buildings with an area of approximately 1,600 hectares. The whole project is developed on a rolling basis and is planned to be developed into a mixed-use zone including residential, commercial, light industrial and retail developments. The transaction was completed on March 20 2014.

PROSPECTS

Looking into year 2014, the Group expects that the government will continue its austerity efforts, where the existing restrictive measures will continue to be implemented in first-tier cities in the near term. However, in the long term, as the pace of urbanisation accelerates in China, the rigid demand for real estate will remain high. Coupled with the PRC government's efforts to establish and improve the long-term mechanism for the healthy development of the property market, we believe that the real estate industry will benefit from the stable external environment and the protection from the well-established system, thus achieving sustainable and healthy development.

Himalayas Center Shanghai

At the Tenth Collaborative Learning Session of the Political Bureau of the CPC Central Committee, our state leader attached great importance to accelerating the construction of affordable housing and improving the supply system as well as increasing the housing supply. The Group believes that, in the future, the PRC

CHAIRMAN'S STATEMENT

government will proactively release the land supply and adopt measures such as the policy on affordable housing, regulations on the registration of real estates and the imposition of real estate taxes so as to alleviate the problem of lack of supply. In response to market changes, we will seize market opportunities and leverage our extensive experience in the industry to launch our projects, both existing and under planning, in a timely manner. The Group will further expand the development of "Thumb" commercial complex and residential projects, in order to consolidate its position as a diversified property development company integrating commercial and service businesses. The Group will continue to identify potential investment opportunities in the mainland and expand its land reserves in a moderately and orderly manner so as to add momentum to the Group's business development.

In line with capital flows out of China, the Group also makes relentless efforts on achieving full-scale optimisation and expanding into the overseas markets. During the year, the Group signed a contract to acquire a real estate project located in Johannesburg, South Africa, and the project in New Zealand also is progressing as scheduled. Looking ahead, the Group will continue to monitor closely the global market changes, assess various potential business opportunities prudently and seize every opportunity to achieve portfolio diversification with a view to achieving the Group's blueprint to expand overseas.

Zendai Cube Tower in Changchun (rendering)

MANAGEMENT DISCUSSION AND ANALYSIS

Langfang Zendai Thumb Plaza (rendering)

REVIEW OF OPERATIONS

The results of the Group for the year under review was unsatisfactory mainly attributable to the absence of the one-off gain on the disposal of subsidiaries in last year and the increase of finance cost during the period. The turnover and profit for the year were mainly attributable to sales and delivery of residential and commercial units in Qingdao, Shanghai, Changchun, Jilin Haimen and the tax credit as a result of the reverse of over-provision of LAT and deferred tax in prior years. The Group continued to offer both residential and commercial properties for sales. Except for projects in Qingdao, Shanghai, Changchun and Haimen, the Group would commence pre-sale of the properties in Nanjing and in South Africa.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2013, the Group had a healthy financial position with net assets value increased from approximately HK$5,800 million in 2012 to approximately HK$6,631 million. Net current assets amounted to approximately HK$4,415 million (2012: approximately HK$5,942 million) with current ratio of decreased from 2.06 times in 2012 to approximately 1.57 times in 2013. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2013, the Group had consolidated bank loans of approximately HK$6,145 million in which HK$3,459 million was repayable within one year and HK$2,686 million was repayable more than one year. As at 31 December 2013, the Group's bank balances and cash are approximately HK$2,514 million. The gearing ratio of the Group decreased from 0.89 times in 2012 to 0.81 times in 2013 (basis: total of amounts due to related companies, amount due to a joint venture, bank loans, notes payable and other borrowings divided by Shareholders' funds).

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year amounted to approximately HK$1,710,340,000 (2012: approximately HK$685,521,000) increased substantially due to more properties were delivered.

Travel and related business

The turnover of this segment for the year reached approximately HK$11,639,000 (2012: approximately HK$16,439,000).

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$360,701,000 (2012: approximately HK$277,915,000). The increase was due to more properties were available for leasing and managed by the Group.

Hotel Operations

The turnover of this segment for the year was approximately HK$144,983,000 (2012: approximately HK$143,016,000) which remained stable.

FOREIGN CURRENCY EXPOSURES

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

EMPLOYEES

As at 31 December 2013, the Group employed approximately 1,610 employees (2012: 1,680 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

(a) At the end of reporting period, the carrying amounts of the following assets of the Group were pledged to secure certain bank loans and payment guarantees granted to the Group.

	2013	2012
	HK$'000	HK$'000
Property, plant and equipment	**341,852**	343,286
Payment for leasehold land held for own use under operating leases	**617,316**	619,904
Investment properties	**2,473,761**	2,285,078
Properties under development and for sales	**1,118,894**	1,500,587
Pledged bank deposits	**1,571,342**	1,317,421
	6,123,165	6,066,276

(b) At 31 December 2013, the Group pledged certain properties under development and for sales with carrying amount of HK$482,295,000 (2012: Nil) from its joint venture, 文廣証大, for a bank loan of the Group which has not been drawn down as at 31 December 2013.

(c) At 31 December 2012, the Group pledged 45% equity interest in Shanghai Himalayas Real Estate Company Limited, an associate of the Group, with attributable carrying amount of approximately HK$361,505,000 to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), an equity holder of a former associate of the Group, for securing Shanghai Forte's interests in Shanghai Haizhimen. The pledge was released during the year.

MAJOR ACQUISITION OF ASSETS

In November 2013, the Group signed a contract to acquire a real estate project located in Johannesburg, South Africa, with an area of approximately 1,600 hectares, at a total consideration of approximately ZAR1,060,980,000 (equivalent to approximately HK$838,170,000). The project is favourably located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, posing tremendous potential for development. Details of the transaction was announced in the Company's announcement dated 5 November 2013. The transaction was completed on 20 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR DISPOSAL OF ASSETS

On 16 November 2012, the Group has entered into an agreement with an independent third party ("Venturer") to dispose of its 10% equity interest in 南京証大大拇指商業發展有限公司 (Nanjing Zendai Thumb Plaza Development Co., Ltd) ("Nanjiang Zendai"). The transaction led to the reduction of the Group's equity interests in Nanjing Zendai from 100% to 90%. Pursuant to the relevant agreement, Nanjiang Zendai will be jointly controlled by the Group and the Venturer and therefore become a joint venture of the Group. The disposal was completed on 5 January 2013, on which date the Group lost control of Nanjing Zendai and all conditions precedent to the agreement were satisfied.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group provided guarantees to the extent of approximately HK$346,715,000 (2012: HK$246,505,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

The Group also shared contingent liabilities of a joint venture arising from guarantees provided by the joint venture to banks to the extent of approximately HK$23,272,000 (2012: HK$Nil) in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the joint venture. These guarantees provided by the Group and the joint venture to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition.

Zendai Thumb Plaza near Nanjing South Train Station (rendering)

Zendai Nantong Yicheng Thumb Plaza

CORPORATE SOCIAL RESPONSIBILITY

Social and public welfare:

Giving back to the community is an obligation that we must fulfill as a responsible corporate citizen, being a lively property developer specialised in urban development. Over the years, amidst the steady advancement of business growth and industry expansion, Zendai has actively participated in various social and public welfare activities and has been involved in the construction of cultural and arts facilities. We have also put public welfare into corporate action for long periods to fulfill our corporate social responsibility.

On 26 October 2013, to support the "Pink Ribbon – International Breast Cancer Awareness Month", the Group's Jumeirah Himalayas Hotel Shanghai successfully held the"PINK YOGA" charity event in the hotel's Grand Ballroom, by teaming up with Technogym, Speedo China, TimeOut Shanghai English magazine, Fiji Water, Helan Mountain & Aumnie.

On 2 April 2013, Shanghai Zendai Himalayas Centre and Free Lunch Fund organised the "Love Spread" charity auction dinner at Daguan Theatre. A number of Chinese stars, such as Yi Nengjing, Liu Kaiwei, Wu Kequn, Jin Sha and Kong Wei, were invited to perform in a big charity show bringing together culture, fashion, love in action and the call for donation from celebrities. Business people from banks and funds were also invited to the dinner. The proceeds raised at the auction were donated to Free Lunch Fund to provide free lunch to students in poor regions.

CORPORATE SOCIAL RESPONSIBILITY

On 3 June 2013, vehicles loaded with milk powder, diapers and other infant supplies drove into Shanghai Huge Grace Disabled Children Welfare Center. This donation event was organised by Shanghai Zendai Property Management Company on funds raised at the charity bazaar held in Zendai Wudaokou Square and Zendai Cube Tower, in addition to special funds contributed by the Company. The proceeds were used to purchase infant supplies for donation. On that day, the employees played a variety of interactive games with the disabled children. We will continue to organise this event.

CORPORATE SOCIAL RESPONSIBILITY

On 12 March 2013, our Radisson Blu Hotel Pudong Century Park in Shanghai presented five computers installed with learning and painting software to Yangdong Migrant Workers' Children Elementary School to set up a small computer area in the hope of providing the children with more opportunities to learn and practice computer knowhow so as to keep in pace with the rapid developments of the information age.

In the evening of 22 November 2013, teachers and students of Yangdong Migrant Workers' Children Elementary School in Baoshan, Shanghai as well as guests and media friends were invited to our Radisson Blu Hotel Pudong Century Park to spend a happy evening together. The children's dancing and singing performances filled up the hotel lobby with festive warmth and blessing. Christmas presents and red packets were prepared for the children as an expression of our love and encouragement. Every year in Christmas, these lovely and modest students will visit the hotel and this has been arranged for the sixth consecutive year. During this period, the hotel is delighted to witness the growth of the children and is honoured to be able to contribute our modest strength for migrant workers' children.

CORPORATE SOCIAL RESPONSIBILITY

Growing with our community:

As a property developer, the Group always regards the promotion of our community's mutual development as one of our major development objectives. In addition to property construction, we believe that community culture, educational development and the establishment of community relations are also important development aspects.

On 12 and 13 October 2013, Shanghai Zendai Property Management Company organised an event under the theme of paying respect to seniors in celebration of the Chongyang Festival in Zendai Jiayuan and Shuiqing Muhua Apartment. Elderly retired owners of Zendai Jiayuan were invited to come and watch the performance by the choir of the Shanghai University for the Elderly. Free blood pressure tests by doctors and healthcare talks were also held outside the venue.

Environmental protection:

The Group places environmental protection as one of our major considerations in project construction and property operation. While being committed to building quality real estate, we integrate the concept of sustainable development into all aspects of business and are actively involved in various environmental protection activities. The Group, playing an active role in environmental protection, participates in the "Earth Hour" global light-out event. The Group will also regard low carbon emission as our major consideration in the construction process and actively explore eco-friendly design solutions such as vertical planting.

On 6 June 2013, the employees of our Radisson Blu Hotel Pudong Century Park, same as last year, took part in the "Clean Up the World 2013" campaign. The purpose of which is to get rid of garbage in the surrounding environment so as to maintain the cleanliness of the community. The hotel employees were actively involved in the event and cleaned up the hotel's surrounding streets and the Thumb Plaza.

BIOGRAPHICAL DETAILS OF DIRECTORS

A. EXECUTIVE DIRECTORS

Mr. Dai Zhikang ("Mr. Dai"), aged 49, who joined the Group in March 2002, is an executive Director and chairman of the Company. He is also the founder and chairman of Shanghai Zendai Investment Group (上海証大投資集團) ("Zendai Group"). He graduated from Renmin University of China with a bachelor's degree in economics (finance). He is also a postgraduate of the Graduate School of the People's Bank of China. He founded Zendai Group in 1994, and subsequently restructured the group and became its founder and chairman in 1998. Mr. Dai is a director of Giant Glory Assets Limited, which was interested in 2,326,560,000 Shares as at 31 December 2013, representing approximately 15.64% of the issued share capital of the Company as at 31 December 2013. Giant Glory Assets Limited was also interested in 85% of the issued share capital of Jointex Investment Holdings Limited which Mr. Dai is a director. Jointex Investment Holdings Limited is a substantial Shareholder which was interested in 2,932,000,000 Shares as at 31 December 2013, representing approximately 19.70% of the issued share capital of the Company as at 31 December 2013.

Mr. Wang Fujie ("Mr. Wang"), aged 59, was appointed as an executive Director and vice chairman of the Company in February 2010, and was appointed as chief executive officer of the Company on 11 November 2010. He is also the chairman of Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司), a wholly-owned subsidiary of the Company. Mr. Wang graduated from the economics and management school of Tianjin University with a master of business administration degree. Having worked for various governmental bodies, departments and local governments of the PRC for over 30 years in the past, Mr. Wang is experienced in management and administration. He once served as deputy director of Hainan Branch, Xinhua News Agency, director of Hebei Branch, Xinhua News Agency, director general of Culture Office of Hebei Province, mayor of Langfang Municipal People's Government, Hebei Province, deputy director of General Office of the Ministry of Agriculture and spokesman of the Ministry of Agriculture of the State. He was also a representative of the ninth session of the National People's Congress of the PRC from 1998 to 2002.

Mr. Zuo Xingping ("Mr. Zuo"), aged 48 was appointed as an executive Director in November 2010. Mr. Zuo graduated from 中國人民大學 (Renmin University of China) with a bachelor's degree, and obtained a master degree from 中國人民銀行研究生部 (The People's Bank of China Graduate Research Department). Mr. Zuo has over 17 years of experience in securities investment and the capital markets. He is also the supervisor of Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司), a wholly-owned subsidiary of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Tang Jian ("Mr. Tang"), aged 37, who joined the Board in May 2003 and is an executive Director and was appointed as the authorised representative of the Company in June 2003. He is also the director of Shanghai Zendai Delta Land Company Limited (上海証大三角洲置業有限公司), which is a wholly-owned subsidiary of the Company. Mr. Tang obtained a bachelor's degree from Shanghai University of Finance and Economics specialising in finance and once worked for the Bank of Shanghai.

B. NON-EXECUTIVE DIRECTORS

Mr. Zhu Nansong ("Mr. Zhu"), aged 47, was an executive Director from May 2003 to October 2005. Mr. Zhu was re-appointed as an executive Director in January 2009 and re-designated as a non-executive director in January 2013. Mr. Zhu graduated from Renmin University of China and Graduate School of the People's Bank of China. Mr. Zhu also obtained a doctorate degree in philosophy from Fudan University. Mr. Zhu was interested in 50,000,000 Shares as at 31 December 2013, representing approximately 0.34% of the issued share capital of the Company. Mr. Zhu is a director of Jointex Investment Holdings Limited. He was also interested in 15% of the issued share capital of Jointex Investment Holdings Limited, a substantial Shareholder interested in 2,932,000,000 Shares as at 31 December 2013, representing approximately 19.70% of the issued share capital of the Company as at as at 31 December 2013.

Mr. Wu Yang ("Mr. Wu"), aged 48, has been re-designated as a non-executive Director from being an executive Director effective on 11 November 2010. Mr. Wu was appointed as an executive Director of the Company in January 2009, Mr. Wu received his bachelor's degree in construction from Shengyang Radio and TV University in 1987, and his master's degree in industrial economics from Capital University of Economics and Business. Mr. Wu has over 16 years of experience in the property development business.

Mr. Xu Xiaoliang ("Mr. Xu"), aged 41, was appointed as a non-executive Director in January 2013. Mr. Xu graduated from Innova Education School of Singapore in 1995 with a diploma and obtained his master's degree in business administration from East China Normal University, the People's Republic of China (the "PRC") in July 2002. Mr. Xu served as assistant general manager of Shanghai Forte Land Co., Ltd. ("Forte Group") from April 1998 to October 1999 and chairman of Shanghai Resource Property Consultancy Co., Ltd. (an indirect subsidiary of Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group")) from November 1999 to October 2012. Mr. Xu concurrently served as senior assistant to the president of Fosun Group and the president of the property holdings department of Fosun Group in October 2012. Fosun Group and Fosun International Limited (the parent company of Fosun Group) together have a 99.05% control of Forte Group, which has 100% control of China Alliance Properties Limited. As at 31 December 2013, China Alliance Properties Limited holds 16.34% of issued shares of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Gong Ping ("Mr. Gong"), aged 39, was appointed as a non-executive Director in January 2013. Mr. Gong graduated from Fudan University, the PRC in 1998 with a bachelor's degree in international finance and obtained his master's degree in finance from Fudan University Global Economic Research Institute, the PRC in 2005. He also received his master's degree in business administration from the International Institute for Management Development located in Lausanne, Switzerland in 2008. Mr. Gong joined Fosun Group in July 2011. He now serves as general manager of strategic development department of Fosun Group and vice president of the property holdings department of Fosun Group. Before that, Mr. Gong served as real estate credit manager and product manager at Pudong branch and the headquarter of Bank of Shanghai from July 1998 to December 2004. He worked at the PRC headquarter of Standard Chartered as business development manager and assistant vice president from December 2004 to August 2007. He worked at global strategy department of Korea Samsung Group as global strategic consultant from March 2009 to July 2011. Fosun Group and Fosun International Limited (the parent company of Fosun Group) together have a 99.05% control of Forte Group, which has 100% control of China Alliance Properties Limited. As at 31 December 2013, China Alliance Properties Limited holds 16.34% of issued shares of the Company.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Mun Lam, Raymond ("Mr. Lo"), aged 61, who joined the Board in 2002, is the principal of an investment and corporate finance firm with offices in London and Hong Kong. As a chartered accountant of London, he was licensed as a Responsible Officer by the Securities & Futures Commission of Hong Kong for engaging in the Type 6 (advising on corporate finance) activity. He has extensive expertise and experience in international corporate finance, merger & acquisition, cross-border direct investment and hedge fund investment, focusing on lifestyle, real estate and hospitality sectors. He held directorship and strategist positions with multinational financial and international emerging companies. In addition to serving the Company, he currently serves as non-executive chairman of Luk Fook Holdings Limited (stock code: 0590), and as non-executive director of Asian Capital Resources (Holdings) Limited (stock code: 8025), the issued shares of both companies are listed on the Stock Exchange and the Growth Enterprise Market of the Stock Exchange respectively. He graduated from University of Wisconsin-Madison and held post-graduate degrees and professional qualifications in accounting, law, finance, real estate and hospitality sectors, focusing on research of corporate finance.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lai Chik Fan ("Mr. Lai"), aged 65, who joined the Board in 2004, was born in China and was educated in Hong Kong and the US. As an investment banker with over 30 years of experience in the industry, he is known for his knowledge, integrity and vast experience in the areas of investment banking and international equity sales and distribution. Mr. Lai is currently a managing director of AR Evans Capital Limited. In the past, he once worked for a number of investment banks, including Koffman Financial Holdings Limited, Paine Webber Hong Kong Limited, Merrill Lynch Asia Ltd, Smith Barney (Hong Kong) Ltd, and Chin Tung Securities Ltd. Mr. Lai serves as a director for a number of listed companies in Hong Kong. He was a non-executive director of China Medical and Bio Science Ltd (listed on the Growth Enterprise Market of the Stock Exchange) but resigned in July 2007. On 10 August 2007, he was appointed as an executive director of China Golden Development Holdings Ltd. (listed on the Main Board), and subsequently resigned in October 2008.

Mr. Li Man Wai ("Mr. Li"), aged 57, was appointed as an independent non-executive Director on 20 April 2012. Mr. Li graduated with diploma in business administration, major in Accounting from Lingnan College (now known as Lingnan University), Hong Kong in 1981. He is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants in United Kingdom from 1988 and obtained a membership of Certified Management Accountants of Canada in 1990 after taking the accountancy courses in York University, Canada. He was qualified as a certified practising accountant in Hong Kong since 1992 and founded Raymond Li & Co., C.P.A. in 1993 and currently is the sole proprietor of the firm. The firm is principally engaged in providing auditing and taxation services and ever implemented the winding up, investigation and liquidation process for the companies against which a winding-up order was made by the High Court of Hong Kong. Mr. Li chaired Lingnan University Alumni Association (Hong Kong) Limited from 2006 to 2008, and was elected as chairman of Chinese Christian Universities Alumni Association (Hong Kong) Limited from 2007 to 2008. Mr. Li was nominated to act as the Director of Lingnan University Hong Kong Alumni D.S.S. Primary School Limited from 2005 to 2011. Mr. Li has been appointed as the trustee of Lingnan (University) College, Dr. Sun Yat-Sen University, Guangzhou, PRC since 2009. In 2011, Mr. Li was appointed by Mr. Donald TSANG Yam-kuen, Chief Executive of Hong Kong Special Administrative Region, as a court member of Lingnan University of Hong Kong in 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Cai Gaosheng ("Mr. Cai"), aged 62, was appointed as an independent non-executive Director on 20 April 2012. Since June 2007, Mr. Cai has been appointed independent director of 浙江嘉欣絲綢股份有限公司 ("Zhejiang Jiaxin Silk Corporation Limited"), a company listed on the Shanghai Stock Exchange. Mr. Cai studied courses of economic management in South China Normal University and Guangdong Radio & TV University, and was a on-the-job postgraduate majoring in economic management in Guangdong Academy of Social Sciences during the period from 2000 to 2002. He has the qualifications as a senior economist and a senior political officer. Mr. Cai has worked in Guangdong Silk-Tex Group Co., Ltd since May 1995 and successively acted as the deputy general manager and general manager. He was chairman of the company between June 2007 and February 2013. He is currently a counselor at 廣東省人民政府參事室 (Counselors' Office, the People's Government of Guangdong Province). Before joining Guangdong Silk-Tex Group Co., Ltd, Mr. Cai served as deputy mayor of Huazhou city, Guangdong. Mr. Cai held positions as a entrepreneur member of Decision Consulting Committee of The People's Government of Guangdong Province, a board director of Guangdong University of Foreign Studies, deputy president of China Foreign Economic and Trade Enterprises Association and China Silk Association and president of Guangdong Foreign Economic and Trade Enterprises Association and so on. He was honoured Guangdong Province's Excellent Entrepreneurs and 10 Heroic Figure of Economy of Guangdong as well as 10 Heroic Figure of Enterprise Culture of Guangdong.

D. COMPANY SECRETARY

Mr. Wong Ngan Hung ("Mr. Wong"), aged 53, is a member of the Hong Kong Institute of Certified Public Accountants since 1986. He also obtained a master's degree in business administration from University of San Francisco in United States of America. Mr. Wong has been working with the Company since 2006 and was appointed Company secretary in January 2012.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services, hotel operations and provision of travel and related services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 50 to 163. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 164.

SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 42(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2013 are set out in the consolidated statement of changes in equity and note 43 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2013.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2013 are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND FOR SALES

Details of properties under development and for sales of the Group for the year are set out on pages 6 to 15 of the annual report.

DIRECTORS

The Directors during the year 2013 and up to the date of this report were as follows:

Executive Directors

Mr. Dai Zhikang *(Chairman)*
Mr. Wang Fujie
Mr. Zuo Xingping
Mr. Tang Jian

Non-executive Directors

Mr. Zhu Nansong (re-designated as non-executive Director on 11 January 2013)
Mr. Wu Yang
Mr. Xu Xiaoliang (appointed on 11 January 2013)
Mr. Gong Ping (appointed on 11 January 2013)
Mr. Dong Wenliang (resigned on 11 January 2013)
Mr. Zhou Chun (resigned on 11 January 2013)

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Mr. Li Man Wai
Mr. Cai Gaosheng

REPORT OF THE DIRECTORS

According to the bye-laws of the Company, Mr Zhu Nansong, Mr Wu Yang, Mr. Lai Chik Fan and Mr. Li Man Wai shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting. Mr Zhu Nansong and Mr Wu Yang, being 2 of the 4 retiring directors, will not offer themselves for re-election at the annual general meeting. Mr. Lai Chik Fan and Mr. Li Man Wai, being the remaining retiring directors, will offer themselves for re-election at the annual general meeting.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	**Number of Shares**	**Capacity and nature of interests**	**Approximate percentage of issued share capital as at 31 December 2013**
Mr. Wang Fujie *(Note 2)*	10,000,000 (L)	Beneficial owner	0.07%
Mr. Dai Zhikang ("Mr. Dai") *(Note 1)*	5,753,635,000 (L)	Interests of controlled corporations	38.67%
Mr. Dai *(Note 2)*	10,000,000 (L)	Beneficial owner	0.07%
Mr. Zhu Nansong	50,000,000 (L)	Beneficial owner	0.34%
Mr. Tang Jian	10,000,000 (L)	Beneficial owner	0.07%
Mr. Lo Mun Lam, Raymond *(Note 2)*	5,000,000 (L)	Beneficial owner	0.034%
Mr. Lai Chik Fan *(Note 2)*	5,000,000 (L)	Beneficial owner	0.034%

(L) *denotes long position*

Notes:

1. Mr. Dai was deemed to be interested in an aggregate of 5,753,635,000 Shares held by Giant Glory Assets Limited, Jointex Investment Holdings Limited, Shanghai Zendai Investment Development (Hong Kong) Company Limited and Gold Lucky Investment Holdings Limited, respectively, as follows:

   (a) 2,326,560,000 Shares were held by Giant Glory Assets Limited which is wholly-owned by Mr. Dai;

REPORT OF THE DIRECTORS

(b) 2,932,000,000 Shares were held by Jointex Investment Holdings Limited which is owned as to 85% by Giant Glory Assets Limited and as to 15% by Mr. Zhu Nansong, a non-executive Director;

(c) 455,175,000 Shares are held by Shanghai Zendai Investment Development (Hong Kong) Company Limited which is indirectly owned as to 60% by Mr. Dai; and

(d) 39,900,000 Shares are held by Gold Lucky Investment Holdings Limited which is wholly-owned by Mr. Dai.

2. These Shares represent the Shares to be allotted and issued upon the exercise of share options granted.

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of 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 on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2013.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors', supervisors' and senior management's emoluments are set out in notes 11 and 50 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

REPORT OF THE DIRECTORS

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 42(c) to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of year	Exercisable period
Directors						
Mr. Wu Yang	12,000,000	–	–	(12,000,000)	–	12 November 2010 – 11 November 2013
	9,000,000	–	–	(9,000,000)	–	12 November 2011 – 11 November 2013
	9,000,000	–	–	(9,000,000)	–	12 November 2012 – 11 November 2013
	30,000,000	–	–	(30,000,000)	–	
Mr. Tang Jian	5,000,000	–	–	(5,000,000)	–	12 November 2010 – 11 November 2013
Mr. Dai Zhikang	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
	5,000,000	–	–	–	5,000,000	30 March 2012 – 29 March 2014
	10,000,000	–	–	–	10,000,000	
Mr. Wang Fujie	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
	5,000,000	–	–	–	5,000,000	30 March 2012 – 29 March 2014
	10,000,000	–	–	–	10,000,000	
Mr. Lo Mun Lam, Raymond	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014

REPORT OF THE DIRECTORS

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of year	Exercisable period
Mr. Lai Chik Fan	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
Total	**65,000,000**	**–**	**–**	**(35,000,000)**	**30,000,000**	
Former Director						
Mr. Liu Zhiwei	48,000,000	–	–	–	48,000,000	30 March 2011 – 29 March 2014
	36,000,000	–	–	–	36,000,000	30 March 2012 – 29 March 2014
	36,000,000	–	–	–	36,000,000	30 March 2013 – 29 March 2014
Total	**120,000,000**	**–**	**–**	**–**	**120,000,000**	
Employees	30,000,000	–	–	(30,000,000)	–	12 November 2010 – 11 November 2013
	15,000,000	–	–	(15,000,000)	–	12 November 2011 – 11 November 2013
	15,000,000	–	–	–	15,000,000	30 March 2011 – 29 March 2014
	11,000,000	–	–	–	11,000,000	30 March 2012 – 29 March 2014
	6,000,000	–	–	–	6,000,000	30 March 2013 – 29 March 2014
Total	**77,000,000**	**–**	**–**	**(45,000,000)**	**32,000,000**	
Total	**262,000,000**	**–**	**–**	**(80,000,000)**	**182,000,000**	

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 42 to the financial statements, at no time during the year 2013 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 50 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year 2013 or any time during the year 2013.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2013, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of these transactions are set out in note 51c to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year 2013 and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business. As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

REPORT OF THE DIRECTORS

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2013, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Giant Glory Assets Limited *(Note 1)*	The Company	Beneficial owner	2,326,560,000 Shares (L)	15.64%
Giant Glory Assets Limited	The Company	Interests of controlled corporation	2,932,000,000 Shares (L)	19.70%
Jointex Investment Holdings Limited *(Note 1)*	The Company	Beneficial owner	2,932,000,000 Shares (L)	19.70%
China Alliance Properties Limited *(Note 2)*	The Company	Beneficial owner	2,431,815,000 Shares (L)	16.34%
Shanghai Forte Land Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	16.34%
Shanghai Fosun High Technology (Group) Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	16.34%
Fosun International Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	16.34%

REPORT OF THE DIRECTORS

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Fosun Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	16.34%
Fosun International Holdings Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	16.34%
Guo Guangchang *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	16.34%
Concord Emperor Investment Limited	The Company	Interests of controlled corporation	1,571,000,000 Shares (L)	10.56%
Greenwoods Asset Management Limited	The Company	Interests of controlled corporation	909,350,000 Shares (L)	6.11%

(L) *denotes long position*

Notes:

1. These Shares constitutes part of the deemed interest of Mr. Dai as referred to in note 1 under the section headed "Directors' interests in shares or debentures" above.

2. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 79.08% control of Fosun International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Co., Ltd, which together with Fosun International Limited have a 99.05% control of Shanghai Forte Land Co., Limited, which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2013, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2013, the Group's sales to the five largest customers accounted for 9.3% of the Group's turnover for the year, of which the largest customer accounted for 5.5% of the Group's turnover for the year. During the year 2013, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 15.56% and 53.2% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

AUDITOR

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

PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 28 March 2014, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Dai Zhikang
Director
28 March 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the "Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimise return for shareholders.

For the year under review, the Company has complied with the applicable code provisions of the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules, except for the deviation as disclosed in this report.

DEVIATION FROM CG CODE

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Due to personal commitments, Mr. Zhu Nansong, Mr. Wu Yang, Mr. Xu Xiaoliang and Mr. Gong Ping did not attend the annual general meeting held on 25 June 2013.

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Due to other business commitments, Mr. Dai Zhikang did not attend the annual general meeting held on 25 June 2013.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

The composition of the Board for the year ended 31 December 2013 was as follows:

Executive directors

Mr. Dai Zhikang *(Chairman)*
Mr. Wang Fujie
Mr. Zhu Nansong (re-designated as a non-executive Director on 11 January 2013)
Mr. Zuo Xingping
Mr. Tang Jian

Non-executive directors

Mr. Zhu Nansong (re-designated as a non-executive Director on 11 January 2013)
Mr. Wu Yang
Mr. Xu Xiaoliang (appointed on 11 January 2013)
Mr. Gong Ping (appointed on 11 January 2013)
Mr. Zhou Chun (resigned on 11 January 2013)
Mr. Dong Wenliang (resigned on 11 January 2013)

Independent non-executive directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Mr. Li Man Wai
Mr. Cai Gaosheng

The Company has received a written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The term of appointment of non-executive Directors are 2 years.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

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

- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETINGS

	Number of meetings attended/total number of meetings		
Name of director	**Board meeting**	**Annual General Meeting**	**Special General Meeting** *(Note 1)*
Mr. Dai Zhikang	6/9	0/1	–
Mr. Wang Fujie	7/9	0/1	–
Mr. Zuo Xingping	4/9	0/1	–
Mr. Tang Jian	9/9	1/1	–
Mr. Zhu Nansong *(Note 2)*	0/9	0/1	–
Mr. Wu Yang	1/9	0/1	–
Mr. Xu Xiaoliang *(Note 3)*	1/9	0/1	–
Mr. Gong Ping *(Note 3)*	2/9	0/1	–
Mr. Zhou Chun *(Note 4)*	0/9	0/1	–
Mr. Dong Wenliang *(Note 4)*	0/9	0/1	–
Mr. Lo Mun Lam, Raymond	2/9	1/1	–
Mr. Lai Chik Fan	3/9	1/1	–
Mr. Li Man Wai	2/9	1/1	–
Mr. Cai Gaosheng	2/9	1/1	–

Note 1: No Special General Meeting was held in the year ended 31 December 2013
Note 2: re-designated as a non-executive Director on 11 January 2013
Note 3: appointed on 11 January 2013
Note 4: resigned on 11 January 2013

CORPORATE GOVERNANCE REPORT

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Wang Fujie, the Company's chief executive officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. Dai Zhikang and the chief executive officer of the Company is Mr. Wang Fujie. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors namely Mr. Dai Zhikang, Mr. Wang Fujie, Mr. Zhu Nansong, Mr. Zuo Xingping, Mr. Tang Jian, Mr. Wu Yang, Mr. Xu Xiaoliang, Mr. Gong Ping, Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan, Mr. Li Man Wai and Mr. Cai Gaosheng are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year the Company has arranged in-house trainings for Directors and senior management staff in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2013.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive directors:	Mr. Lo Mun Lam, Raymond *(chairman)* Mr. Lai Chik Fan Mr. Cai Gaosheng
Executive directors:	Mr. Dai Zhikang

To tie in with the amendments in the Revised Code effective from 1 April 2012, the terms of reference of the Remuneration Committee were updated during the year. The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the board of directors. During the year, the Remuneration Committee met once to review the remuneration policy for Directors and senior management of the Company. Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan, Mr. Cai Gaosheng and Mr. Dai Zhikang attended the meeting.

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive directors:	Mr. Lo Mun Lam, Raymond Mr. Lai Chik Fan
Executive Director:	Mr. Dai Zhikang *(chairman)*

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the CG Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. Before its establishment, the role and function of the Nomination Committee was taken up by the Board. During the year under review, one meeting was held to review the structure, size and composition of the Board, the independence of the independent non-executive directors, and Mr. Dai Zhikang, Mr. Lo Mun Lam, Raymond and Mr. Lai Chik Fan attended the meeting.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive directors:	Mr. Li Man Wai *(chairman)* Mr. Lo Mun Lam, Raymond Mr. Lai Chik Fan

The Audit Committee's duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2013, the audit committee held 2 meetings and Mr. Li Man Wai, Mr. Lo Mun Lam, Raymond and Mr. Lai Chik Fan attended the meetings. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditor regarding the work performed. The Company's annual results for the year ended 31 December 2013 has been reviewed by the audit committee.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2013, the Group had engaged its auditor to provide non-audit services to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2013. The fee paid for such service was HK$500,000. The auditor also provided other non-audit services mainly acted as reporting accountant in relation to the Company's circulars of major transactions. The fees for these services were HK$132,000.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated bye-laws of the Company in a consolidated form on the Company's Website and the Stock Exchange's website.

The Group establishes communications with shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's Website.

According to the bye-laws of the Company, 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 to vote at general meetings of the Company, can by written requisition to the board or the company secretary to request to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear business days' notice, whilst others may be called by not less than 14 clear business days' notice. The chairman of any general meetings ensures that the shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the bye-laws of the Company.

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board's committees are available to answer questions related to the Group's business.

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

Telephone number:	+86-21-33927888/+852-21693339
By post:	Unit 6108, 61/F, The Center, 99 Queen's Road Central, Hong Kong
Attention:	Company Secretary
By email:	nhwong@zendai.com.hk

GENERAL

The Directors acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO Limited, the auditor of the Company, are stated in the auditor's report on pages 48 to 49 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the Group. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditor.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHANGHAI ZENDAI PROPERTY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 50 to 163. which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITOR'S REPORT

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 the 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 the 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.

EMPHASIS OF MATTER

Without modifying our opinion, we draw attention to note 52 to the consolidated financial statements which describes the significant uncertainty related to the outcome of the lawsuit filed against the Company by Zhejiang Fosun Commerce Development Limited.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate No. P05443

Hong Kong, 28 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Turnover	*7*	**2,227,663**	1,122,891
Cost of sales		**(1,585,956)**	(682,200)
Gross profit		**641,707**	440,691
Other income and gains	*8*	**124,541**	1,216,742
Distribution costs		**(102,332)**	(118,150)
Administrative expenses		**(400,697)**	(318,932)
Change in fair value of investment properties	*18*	**140,962**	(42,748)
Impairment loss on goodwill	*21*	**(65,417)**	–
Share of results of associates	*23*	**(103,264)**	(159,189)
Share of results of joint ventures	*24*	**(28,189)**	(9,580)
Finance costs	*12*	**(278,557)**	(136,227)
(Loss)/profit before tax credit/(expenses)	*9*	**(71,246)**	872,607
Tax credit/(expenses)	*13*	**151,153**	(316,843)
Profit for the year		**79,907**	555,764
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**220,205**	37,149
Release of other revaluation reserve on disposal of properties for sales held by associates		**(10,100)**	2,988
Tax expenses/(credit) related to release of other revaluation reserve		**1,515**	(448)
Release of foreign exchange reserve upon disposal of subsidiaries		**–**	(539,506)
Other comprehensive income for the year, net of tax		**211,620**	(499,817)
Total comprehensive income for the year		**291,527**	55,947

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Profit for the year attributable to:			
– Owners of the Company		**79,347**	554,702
– Non-controlling interests		**560**	1,062
		79,907	555,764
Total comprehensive income attributable to:			
– Owners of the Company		**282,899**	54,690
– Non-controlling interests		**8,628**	1,257
		291,527	55,947
Earnings per share	*16*		
– Basic		**HK 0.59 Cents**	HK 4.5 Cents
– Diluted		**HK 0.59 Cents**	HK 4.5 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**393,259**	385,910
Investment properties	18	**2,723,188**	2,575,421
Payment for leasehold land held for own use under operating leases	20	**617,316**	619,904
Goodwill	21	**37,600**	101,975
Interests in associates	23	**410,983**	545,918
Interests in joint ventures	24	**1,386,006**	43,389
Available-for-sale investments	25	**67,712**	30,906
Total non-current assets		**5,636,064**	4,303,423
Current assets			
Properties under development and for sales	26	**6,794,008**	5,877,086
Inventories	27	**1,982**	2,000
Trade and other receivables	28	**470,523**	624,666
Deposits for property development	29	**295,939**	441,838
Amounts due from associates	23	**1,075,479**	798,782
Amounts due from joint ventures	24	**685,509**	813,599
Available-for-sale investments	25	**2,665**	2,584
Amounts due from related companies	30	**16,256**	15,080
Amounts due from minority owners of subsidiaries	31	**36,379**	–
Pledged bank deposits	32	**1,571,342**	1,317,421
Tax prepayments	38	**135,328**	44,872
Entrusted loan receivables	34	**126,919**	110,728
Cash and cash equivalents		**942,721**	1,508,600
Total current assets		**12,155,050**	11,557,256
Total assets		**17,791,114**	15,860,679
Current liabilities			
Trade, notes and other payables	33	**1,319,155**	1,278,137
Receipts in advance from customers		**1,235,512**	1,706,919
Amount due to a joint venture	35	**635,867**	–
Amounts due to related companies	36	**41,752**	–
Amounts due to minority owners of subsidiaries	31	**56,319**	42,714
Bank loans	37	**3,459,042**	1,325,085
Tax payables	38	**992,203**	1,261,738
Total current liabilities		**7,739,850**	5,614,593
Net current assets		**4,415,200**	5,942,663
Total assets less current liabilities		**10,051,264**	10,246,086

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

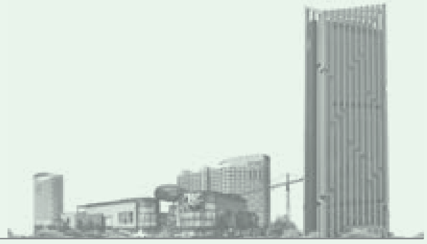
AS AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Bank loans	37	**2,685,637**	3,631,598
Deferred tax liabilities	39	**581,069**	642,773
Other payables	33	**153,598**	171,880
Total non-current liabilities		**3,420,304**	4,446,251
Total liabilities		**11,160,154**	10,060,844
TOTAL NET ASSETS		**6,630,960**	5,799,835
Capital and reserves attributable to owners of the Company			
Share capital	42(a)	**297,587**	248,747
Reserves		**5,928,562**	5,346,924
Equity attributable to owners of the Company		**6,226,149**	5,595,671
Non-controlling interests		**404,811**	204,164
TOTAL EQUITY		**6,630,960**	5,799,835

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**274**	335
Investments in subsidiaries	46	**1,003,716**	1,003,716
Total non-current assets		**1,003,990**	1,004,051
Current assets			
Other receivables	28	**10,245**	5,769
Amounts due from subsidiaries	46	**3,566,806**	2,144,063
Amount due from a joint venture	24	**17,319**	–
Cash and cash equivalents		**101,514**	23,576
Total current assets		**3,695,884**	2,173,408
Total assets		**4,699,874**	3,177,459
Current liabilities			
Other payables	33	**8,600**	4,167
Amounts due to subsidiaries	46	**245,885**	386,092
Bank loans	37	**1,773,769**	–
Total current liabilities		**2,028,254**	390,259
Net current assets		**1,667,630**	1,783,149
Total assets less current liabilities		**2,671,620**	2,787,200
Non-current liabilities			
Bank loans	37	**279,240**	638,623
Total liabilities		**2,307,494**	1,028,882
TOTAL NET ASSETS		**2,392,380**	2,148,577
Capital and reserves attributable to owners of the Company			
Share capital	42(a)	**297,587**	248,747
Reserves	43	**2,094,793**	1,899,830
TOTAL EQUITY		**2,392,380**	2,148,577

On behalf of the Board

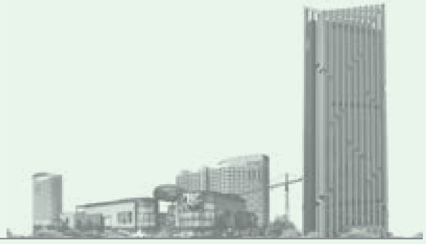
Tang Jian
Director

Dai Zhikang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2013

	Share capital *(Note 42(a))* HK$'000	Share premium *(Note 43(a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(Note 43(b))* HK$'000	Special capital reserve *(Note 43(c))* HK$'000	Statutory surplus reserve HK$'000	Share option reserve *(Note 43(d))* HK$'000	Other reserve *(Note a)* HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve *(Note b)* HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	249,276	1,874,593	1,074	157,315	68,541	411,883	39,378	–	2,060,330	674,098	12,942	5,549,430	263,495	5,812,925
Profit for the year	–	–	–	–	–	–	–	–	554,702	–	–	554,702	1,062	555,764
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	36,954	–	36,954	195	37,149
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	–	–	–	–	–	–	–	–	–	–	2,540	2,540	–	2,540
Release of foreign exchange reserve upon disposal of subsidiaries *(Note 48)*	–	–	–	–	–	–	–	–	–	(539,506)	–	(539,506)	–	(539,506)
Total comprehensive income	–	–	–	–	–	–	–	–	554,702	(502,552)	2,540	54,690	1,257	55,947
Dividend paid to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(5,290)	(5,290)
Cancellation upon repurchase of own shares	(529)	(2,919)	–	–	–	–	–	–	–	–	–	(3,448)	–	(3,448)
Transaction costs attributable to repurchase of shares	–	(14)	–	–	–	–	–	–	–	–	–	(14)	–	(14)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(4,987)	–	–	–	(4,987)	(55,298)	(60,285)
Release upon forfeiture of share options *(Note 43(c))*	–	–	–	–	–	–	(3,561)	–	3,561	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	25,389	–	–	(25,389)	–	–	–	–	–
At 31 December 2012	248,747	1,871,660	1,074	157,315	68,541	437,272	35,817	(4,987)	2,593,204	171,546	15,482	5,595,671	204,164	5,799,835



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2013

	Share capital (Note 42(a)) HK$'000	Share premium (Note 43(a)) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (Note 43(b)) HK$'000	Special capital reserve (Note 43(c)) HK$'000	Statutory surplus reserve HK$'000	Share option reserve (Note 43(d)) HK$'000	Other reserve (Note a) HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve (Note b) HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	248,747	1,871,660	1,074	157,315	68,541	437,272	35,817	(4,987)	2,593,204	171,546	15,482	5,595,671	204,164	5,799,835
Profit for the year	–	–	–	–	–	–	–	–	79,347	–	–	79,347	560	79,907
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	212,137	–	212,137	8,068	220,205
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	–	–	–	–	–	–	–	–	–	–	(8,585)	(8,585)	–	(8,585)
Total comprehensive income	–	–	–	–	–	–	–	–	79,347	212,137	(8,585)	282,899	8,628	291,527
Issuance of ordinary shares	48,840	293,040	–	–	–	–	–	–	–	–	–	341,880	–	341,880
Transaction costs attributable to issuance of ordinary shares	–	(18)	–	–	–	–	–	–	–	–	–	(18)	–	(18)
Contribution by a minority owner	–	–	–	–	–	–	–	–	–	–	–	–	92,486	92,486
Partial disposal of interests in a subsidiary *(Note 49)*	–	–	–	–	–	–	–	5,717	–	–	–	5,717	99,533	105,250
Release upon lapsed of share options *(Note 43(c))*	–	–	–	–	–	–	(11,057)	–	11,057	–	–	–	–	–
Release of statutory surplus reserve upon deregistration of subsidiaries	–	–	–	–	–	(102,513)	–	–	102,513	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	10,019	–	–	(10,019)	–	–	–	–	–
At 31 December 2013	297,587	2,164,682	1,074	157,315	68,541	344,778	24,760	730	2,776,102	383,683	6,897	6,226,149	404,811	6,630,960

Notes:

(a) The difference between the consideration and the carrying amount of the net assets attributable to the additional and reduction of interests in subsidiaries being acquired from and disposed to non-controlling equity holders respectively.

(b) Other revaluation reserve arises from the revaluation of properties for sales upon acquisition of additional interest in associates. The reserve will be released to profit or loss on the disposal of relevant properties.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax credit/(expenses)		**(71,246)**	872,607
Adjustments for:			
Interest income		**(65,166)**	(109,301)
Dividend income		**(1,761)**	(17,792)
Finance costs	*12*	**278,557**	136,227
Depreciation of property, plant and equipment		**23,556**	20,223
Amortisation of payment for leasehold land held for own use under operating leases		**21,896**	26,670
Change in fair value of investment properties	*18*	**(140,962)**	42,748
Impairment loss on goodwill	*21*	**65,417**	–
Share of results of associates		**103,264**	159,189
Share of results of joint ventures		**28,189**	9,580
Write off of property, plant and equipment	*17*	**804**	1,007
Release of other revaluation reserve on disposal of properties		**(8,585)**	2,540
Gain on disposal of investment properties		**(11,563)**	(168,671)
Gain on disposal of subsidiaries	*48*	**(117)**	(826,645)
Gain on disposal of an associate		**–**	(58,428)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Operating profit before working capital changes		**222,283**	89,954
Increase in properties under development and for sales		**(916,922)**	(1,597,777)
Decrease/(increase) in inventories		**18**	(102)
Decrease in trade and other receivables		**154,143**	167,849
Decrease/(increase) in deposits for property development		**145,899**	(350,746)
Increase in trade, notes and other payables		**41,018**	165,723
(Decrease)/increase in receipts in advance from customers		**(471,407)**	734,474
Cash used in operations		**(824,968)**	(790,625)
Interest received		**65,166**	109,301
Interest paid		**(431,185)**	(293,315)
Income taxes paid		**(969,906)**	(749,798)
Net cash used in operating activities		**(2,160,893)**	(1,724,437)
Investing activities			
Increase in amounts due from associates		**(276,697)**	(134,798)
Decrease/(increase) in amounts due from joint ventures		**128,090**	(274,450)
(Increase)/decrease in amounts due from related companies		**(1,176)**	968
Increase in amount due from minority owners of subsidiaries		**(36,379)**	–
Increase in pledged bank deposits		**(253,921)**	(1,091,345)
(Increase)/decrease in entrusted loan receivables		**(14,606)**	184,548
Purchase of available-for-sale investments		**(36,887)**	(10,458)
Proceeds from disposal of available-for-sale investment		**–**	14,709
Purchase of property, plant and equipment		**(19,732)**	(17,734)
Purchase of investment properties		**–**	(226,613)
Proceeds from disposal of investment properties		**78,974**	415,417
Acquisition of subsidiaries, net of cash acquired	*47*	**–**	(24,606)
Acquisition of additional interest of a subsidiary		**–**	(60,285)
Net cash (outflow)/inflow on disposal of subsidiaries	*48*	**(791,005)**	13,911,796
Net cash inflow on disposal of an associate		**–**	140,256
Dividends received from an associate		**38,942**	58,274
Dividends received from available-for-sale investments		**1,761**	17,792
Net cash (used in)/generated from investing activities		**(1,182,636)**	12,903,471

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Financing activities			
Decrease in entrusted loan payables		–	(73,819)
Decrease in amounts due to associates		–	(10,479,068)
Increase in amount due to a joint venture		635,867	–
Increase/(decrease) in amounts due to related companies		41,752	(6,316)
Increase/(decrease) in amounts due to minority owners of subsidiaries		13,605	(131,618)
Increase in bank loans		3,190,575	4,013,357
Repayment of bank loans		(2,001,918)	(1,632,628)
Repayment of other borrowing		–	(1,177,917)
Repayment of senior loan notes		–	(1,082,171)
Proceeds from issue of ordinary shares		341,880	–
Expenses paid for subscription of shares		(18)	–
Consideration paid for repurchase of shares		–	(3,448)
Expenses paid for repurchase of shares		–	(14)
Proceed from partial disposal of a subsidiary	49	74,629	–
Capital injection from non-controlling interest		416,014	–
Dividend paid to non-controlling interest of a subsidiary		–	(5,290)
Net cash generated from/(used in) financing activities		2,712,386	(10,578,932)
Net (decrease)/increase in cash and cash equivalents		(631,143)	600,102
Cash and cash equivalents at beginning of year		1,508,600	895,694
Effect of foreign exchange rate changes		65,264	12,804
Cash and cash equivalents at end of year		942,721	1,508,600

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. GENERAL

Shanghai Zendai Property Limited ("The Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is at Unit 6108, 61/F, The Centre, 99 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 46. The Group comprises the Company and all its subsidiaries.

Its parent and the ultimate holding company is Giant Glory Assets Limited, a private limited company incorporated in the British Virgin Islands.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (revised)	Separate Financial Statements
HKAS 28 (revised)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
Amendments to HKFRS 1	Government Loans

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2013 *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group's presentation of other comprehensive income in the annual report has been modified accordingly.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption of the standard does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2013 *(Continued)*

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to interests in joint arrangements and re-evaluated its involvement with joint arrangements.

The Group has reclassified its interests in jointly controlled entities to interests in joint ventures. The interests continue to be accounted for using the equity method and therefore the reclassification does not have any material impact on the financial position and financial results of the Group.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. These disclosures have been provided in note 19.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period. The disclosures about the impairment of investment properties in note 19 and goodwill in note 21 have been modified accordingly.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]
HKFRS 14	Regulatory Deferral Account[5]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
4 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

HKFRS 9 – Financial Instruments

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

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

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

Amendments to HKAS 19 (2011) Defined Benefits Plan Employee Contributions

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

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

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out in note 4 below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying values are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test by comparing its carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(d) Joint arrangements

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

The group classifies its interests in joint arrangements as either:

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements *(Continued)*

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

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

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 4(c)).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(e) Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

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

(f) Property, plant and equipment

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

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

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

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

Hotel buildings	Lower of underlying land lease term or 50 years
Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and equipment	5 years

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value unless they are still in the course of construction or development at the reporting period end and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal is recognised in profit or loss.

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less impairment and are amortised over the period of the lease on a straight-line basis as an expense.

(i) Properties under development and for sale

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by prevailing market conditions.

(j) Leasing

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

The Group as lessor

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leasing *(Continued)*

The Group as lessee

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

The land and building elements of property leases are considered separately for the purpose of lease classification.

(k) Financial instrument

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets: These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(i) Financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- a significant or prolonged decline in the fair value of an investment in equity instrument below its cost; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

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

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

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iii) Financial liabilities at amortised cost

The Group's financial liabilities including trade, notes and other payables, amounts due to associates, amounts due to related companies, amounts due to minority owners of subsidiaries and bank loans, are initially measured at fair value, net of directly attributable costs incurred for the acquisition or issue of the financial liabilities and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised within "finance costs" in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(vii) Derecognition

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

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

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Revenue recognition

Income from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreements. Deposits and instalments received from forward sales of properties are carried in the statement of financial position under current liabilities.

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when services are rendered.

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

Income from building management services is recognised when the services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

Income from travel and related services is recognised when the services are rendered.

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

Interest income is recognised as it accrues using the effective interest method.

(n) Income taxes

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Foreign currency

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefit

(i) Defined contribution retirement plans

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

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Share based payments

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

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

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

The attributable equity amount recognised in the share option reserve is transferred to share premium account and retained profits when the options are exercised and expire respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- payment for leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and joint ventures

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

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

(s) Capitalisation of borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Provisions and contingent liabilities

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

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

(v) Related Parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related Parties *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

(i) Classification of investment properties

The Group has temporarily rent out certain office units which are not classified as investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, they are continuously accounted for as properties for sales.

(b) Key sources of estimation uncertainty

(i) Valuation of investment properties

The investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rate and expected future market rents. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

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

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its fair value less cost to sell or the value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates are applied in determining these future cash flows and the discount rate.

(iii) Impairment loss on goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associates or joint ventures at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associates and joint ventures.

The Group tests annually whether goodwill has suffered any impairment in accordance with accounting policies stated in note 4(e) to the financial statements. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) Impairment loss on loans and receivables

The policy for impairment of loans and receivables of the Group is based on the evaluation of collectability and ageing analysis of the loans and receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these loans and receivables, including the current creditworthiness of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(v) Provision for properties under development and for sales

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

(vi) Land appreciation taxes ("LAT")

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

The Group is subject to LAT in the PRC which has been included in tax expenses of the Group. However, the implementation of these taxes varies amongst various PRC provinces and the Group has not finalised its LAT returns with various local tax bureaus. Accordingly, significant estimation is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports regularly reviewed by the chief operating decision maker that are used to assess performance and allocate resources. The chief operating decision maker considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently organised into four operating divisions which comprise (i) sales of properties; (ii) hotel operations; (iii) properties rental, management and agency services; and (iv) provision of travel and related services.

Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision maker for assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue from external sales	**1,710,340**	685,521	**144,983**	143,016	**360,701**	277,915	**11,639**	16,439	**2,227,663**	1,122,891
Reportable segment profit/(loss) before tax credit/(expenses)	**120,283**	1,029,013	**(155,468)**	(150,815)	**268,133**	146,317	**(113)**	20	**232,835**	1,024,535
Other information										
Bank interest income	**39,194**	28,960	**–**	–	**1,473**	630	**–**	–	**40,667**	29,590
Interest income from other receivables	**8,615**	15,449	**–**	–	**–**	–	**–**	–	**8,615**	15,449
Interest income from entrusted loan receivables	**12,091**	53,783	**–**	–	**–**	–	**–**	–	**12,091**	53,783
Interest income from amount due from an associate	**–**	9,836	**–**	–	**–**	–	**–**	–	**–**	9,836
Depreciation of property, plant and equipment	**6,052**	5,180	**15,829**	14,629	**1,675**	414	**–**	–	**23,556**	20,223
Amortisation of payment for leasehold land held for own use under operating leases	**–**	–	**21,896**	26,670	**–**	–	**–**	–	**21,896**	26,670
Change in fair value of investment properties	**–**	–	**–**	–	**140,962**	(42,748)	**–**	–	**140,962**	(42,748)
Impairment loss on goodwill	**65,417**	–	**–**	–	**–**	–	**–**	–	**65,417**	–
Share of results of associates	**30,320**	(13,184)	**(133,584)**	(146,005)	**–**	–	**–**	–	**(103,264)**	(159,189)
Share of results of joint ventures	**(28,189)**	(9,580)	**–**	–	**–**	–	**–**	–	**(28,189)**	(9,580)
Write off of property, plant and equipment	**804**	1,007	**–**	–	**–**	–	**–**	–	**804**	1,007
Gain on disposal of subsidiaries	**117**	826,645	**–**	–	**–**	–	**–**	–	**117**	826,645
Gain on disposal of an associate	**–**	58,428	**–**	–	**–**	–	**–**	–	**–**	58,428
Gain on disposal of investment properties	**–**	–	**–**	–	**11,563**	168,671	**–**	–	**11,563**	168,671
Reportable segment assets	**11,722,836**	10,331,581	**1,259,063**	1,350,136	**3,137,031**	2,705,614	**1,397**	3,098	**16,120,327**	14,390,429
Amounts included in the measure of segment assets:										
Additions to non-current assets *(note)*	**12,070**	8,453	**8,204**	8,050	**–**	264,298	**–**	–	**20,274**	280,801
Interests in associates	**145,453**	184,413	**265,530**	361,505	**–**	–	**–**	–	**410,983**	545,918
Interests in joint ventures	**1,386,006**	43,389	**–**	–	**–**	–	**–**	–	**1,386,006**	43,389
Reportable segment liabilities	**8,767,824**	7,610,684	**32,597**	14,960	**447,518**	426,833	**1,096**	2,683	**9,249,035**	8,055,160

Note:

Amounts comprise additions to investment properties and property, plant and equipment.

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

(Loss)/profit before tax credit/(expenses)	**Group**	
	2013	2012
	HK$'000	HK$'000
Reportable segment (loss)/profit before tax credit/(expenses)	**232,835**	1,024,535
Unallocated bank interest income	**1,161**	643
Unallocated interest income from other receivables	**2,632**	–
Other revenue	**3,261**	364
Dividend income from available-for-sale investments	**1,761**	17,792
Finance costs	**(278,557)**	(136,227)
Unallocated head office and corporate expenses	**(34,339)**	(34,500)
(Loss)/profit before income tax credit/(expenses)	**(71,246)**	872,607

Assets	**Group**	
	2013	2012
	HK$'000	HK$'000
Reportable segment assets	**16,120,327**	14,390,429
Pledged bank deposits	**1,571,342**	1,317,421
Head office and corporate assets	**99,445**	152,829
Total assets	**17,791,114**	15,860,679

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities *(Continued)*

Liabilities	Group 2013 HK$'000	Group 2012 HK$'000
Reportable segment liabilities	**9,249,035**	8,055,160
Borrowings	**1,900,885**	1,983,303
Unallocated head office and corporate liabilities	**10,234**	22,381
Total liabilities	**11,160,154**	10,060,844

(c) Geographical information

The Group's operations are principally located in the PRC and Hong Kong. Group administration is carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market.

Group	Revenue from external customers 2013 HK$'000	Revenue from external customers 2012 HK$'000
PRC	**2,216,024**	1,106,452
Hong Kong	**11,639**	16,439
	2,227,663	1,122,891

As the Group's assets are substantially located in the PRC, no further geographical information is presented.

7. TURNOVER

Turnover representing the aggregate of proceeds from sales of properties, amounts received and receivable from the hotel operations, properties rental, management and agency income, and the provision of travel and related services is summarised as follows:

	Group	
Turnover	**2013**	2012
	HK$'000	HK$'000
Sales of properties	**1,710,340**	685,521
Hotel operations:		
Room rentals	**103,571**	100,676
Food and beverage sales	**32,853**	32,362
Rendering of ancillary services	**8,559**	9,978
Properties rental, management and agency income	**360,701**	277,915
Travel and related services	**11,639**	16,439
	2,227,663	1,122,891

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

8. OTHER INCOME AND GAINS

	Group	
	2013	2012
	HK$'000	HK$'000
Bank interest income	**41,828**	30,233
Interest income from other receivables	**11,247**	15,449
Interest income from entrusted loans receivables	**12,091**	53,783
Interest income from amount due from an associate	**–**	9,836
Rental income *(note)*	**6,660**	12,940
Gain on disposal of investment properties	**11,563**	168,671
Gain on disposal of subsidiaries *(Note 48)*	**117**	826,645
Gain on disposal of an associate	**–**	58,428
Dividend income from available-for-sale investments	**1,761**	17,792
Exchange gains, net	**2,963**	974
Government grants	**14,070**	–
Others	**22,241**	21,991
	124,541	1,216,742

Note:

Rental income was derived from certain office units included in properties for sales, for which the Group intends to sell subject to the tenancy agreements.

9. (LOSS)/PROFIT BEFORE TAX CREDIT/(EXPENSES)

(Loss)/Profit before tax credit/(expenses) is arrived at after charging:

	Group	
	2013	2012
	HK$'000	HK$'000
Cost of sales	**1,585,956**	682,200
Staff costs *(Note 10)*	**152,595**	153,430
Depreciation of property, plant and equipment	**23,556**	20,223
Amortisation of payment for leasehold land held for own use under operating leases	**21,896**	26,670
Auditor's remuneration	**2,600**	2,350
Write off of property, plant and equipment	**804**	1,007
Direct operating expenses from investment properties that generated rental income during the year	**50,326**	46,610

10. STAFF COSTS

	Group	
	2013	2012
	HK$'000	HK$'000
Staff costs (including directors) comprise:		
Wages and salaries	**125,266**	130,275
Contributions to defined contribution retirement plans	**27,329**	23,155
	152,595	153,430

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

11. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS

(a) Directors' remuneration

Details of directors' remuneration are as follows:

2013	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors:				
Mr. Dai Zhikang ("Mr. Dai")	–	3,000	80	3,080
Mr. Tang Jian	–	1,060	15	1,075
Mr. Zuo Xingping	–	764	–	764
Mr. Wang Fujie	–	3,825	–	3,825
Non-executive directors:				
Mr. Wu Yang	–	–	–	–
Mr. Gong Ping (iv)	–	–	–	–
Mr. Xu Xiaoliang (iv)	–	–	–	–
Mr. Zhu Nansong (iv)	–	–	–	–
Independent non-executive directors:				
Mr. Lai Chik Fan	180	–	–	180
Mr. Lo Mun Lam, Raymond	180	–	–	180
Mr. Li Man Wai	180	–	–	180
Mr. Cai Gaosheng	180	–	–	180
Total	720	8,649	95	9,464

11. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

2012	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors:				
Mr. Dai	–	3,000	14	3,014
Mr. Tang Jian	–	991	82	1,073
Mr. Zuo Xingping	–	1,528	66	1,594
Mr. Wang Fujie	–	3,728	–	3,728
Ms. Zhou Yan (i)	–	–	–	–
Non-executive directors:				
Mr. Wu Yang	–	2,459	–	2,459
Mr. Liu Zhiwei (ii)	–	–	–	–
Independent non-executive directors:				
Mr. Lai Chik Fan	165	–	–	165
Mr. Lo Mun Lam, Raymond	165	–	–	165
Dr. Tse Hiu Tung, Sheldon (i)	40	–	–	40
Mr. Li Man Wai (iii)	126	–	–	126
Mr. Cai Gaosheng (iii)	126	–	–	126
Total	622	11,706	162	12,490

(i) The directors resigned with effect from 20 April 2012.

(ii) The director resigned with effect from 12 December 2012.

(iii) The directors were appointed on 20 April 2012.

(iv) The directors were appointed on 11 January 2013.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

11. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS *(Continued)*

(b) The five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2012: five) were directors of the Company whose emoluments are disclosed in note 11(a) above. The emoluments of the remaining two (2012: nil) individual were as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**3,269**	–
Contribution to retirement benefits schemes	**89**	–
	3,358	–

(c) The emoluments paid or payable to other members of the senior management were in the following band:

	2013 **No. of individual**	2012 No. of individual
Nil to HK$1,000,000	**–**	1
HK$1,000,000 to HK$2,000,000	**1**	–

12. FINANCE COSTS

	Group	
	2013	2012
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**374,164**	153,908
Interest on bank loans repayable after five years	**47,514**	71,054
Interest on senior loan notes	**–**	46,694
Interest on entrusted loans payables	**–**	12,107
Unwinding of discount on other payables due for settlement after one year	**9,507**	10,171
Amortisation of issue costs of senior loan notes	**–**	3,207
Less: amount capitalised in properties under development	**(152,628)**	(124,460)
Less: amount capitalised in investment properties	**–**	(36,454)
	278,557	136,227

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 8.0% (2012: 6.6%) to expenditure on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

13. TAX (CREDIT)/EXPENSES

The amount of tax (credit)/expenses in the consolidated statement of comprehensive income represents:

	Group	
	2013	2012
	HK$'000	HK$'000
Current tax – PRC Enterprise Income Tax		
– tax for the year	**68,422**	156,316
– (over)/under provision in respect of prior years	**(50,443)**	67,720
	17,979	224,036
Current tax – LAT		
– tax for the year	**65,392**	104,476
– (over)/under provision of tax attributable to sales of properties in prior years *(note)*	**(160,068)**	41,890
	(94,676)	146,366
Deferred tax *(Note 39)*		
– current year	**6,194**	(53,559)
– attributable to decrease in tax rate	**(80,650)**	–
	(74,456)	(53,559)
	(151,153)	316,843

Note:

Two property development companies in Shanghai province are subject to LAT calculated at a rate range from 5.3% of 5.5% on the proceeds from sales of properties, as agreed with the local tax authority in the year ended 31 December 2013 which differed from the management's estimated rate made in prior years, resulting in an overprovision of LAT in respect of prior years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

13. TAX (CREDIT)/EXPENSES *(Continued)*

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2013 and 2012.

PRC Enterprise Income Tax

For subsidiaries which are located and operated in Shanghai and approved to be established before 16 March 2007 by the State Administration of Industrial and Commerce, the Enterprise Income Tax Law of the PRC provides a five-year transition period during which the transitional rates are 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. These PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2012: 25%) during the year ended 31 December 2013.

LAT

LAT 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

13. TAX (CREDIT)/EXPENSES *(Continued)*

LAT *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
(Loss)/profit before tax (credit)/expenses	**(71,246)**	872,607
Tax calculated at the PRC profits tax rate of 25% (2012: 25%)	**(17,812)**	218,152
Tax effect of share of results of associates	**25,816**	39,797
Tax effect of share of result of joint ventures	**7,047**	2,395
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	**2,956**	9,767
Tax effect of expenses not deductible for tax purposes	**63,543**	19,623
Tax effect of revenue and gains not taxable for tax purposes	**(41,964)**	(201,889)
Tax effect of tax losses not recognised	**84,858**	44,374
Utilisation of tax losses previously not recognised	**(53,840)**	(49,518)
(Reversal)/provision of withholding tax on dividend	**(76,638)**	20,056
(Over)/under provision in respect of prior years	**(50,443)**	67,720
	(56,477)	170,477
LAT	**(126,234)**	195,155
Tax effect of LAT deductible for calculation of income tax purpose	**31,558**	(48,789)
	(94,676)	146,366
Tax (credit)/expenses	**(151,153)**	316,843

14. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes a loss of HK$98,059,000 (2012: HK$60,787,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

No dividend was proposed for the years ended 31 December 2013 and 2012.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**79,347**	554,702
	(thousands)	(thousands)
Number of shares		
Weighted average number of ordinary shares in issue	**13,527,266**	12,438,100
	HK Cents	HK Cents
Basic earnings per share	**0.59**	4.5

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of the share options is higher than the average market price of the Company's share during the years ended 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2013					
Cost					
At 1 January 2013	441,072	31,398	350	54,782	527,602
Exchange differences	13,939	1,097	173	2,080	17,289
Additions	–	3,656	637	15,439	19,732
Disposal of a subsidiary	–	–	–	(307)	(307)
Written off	–	(1,927)	–	(6,040)	(7,967)
At 31 December 2013	455,011	34,224	1,160	65,954	556,349
Accumulated depreciation and impairment					
At 1 January 2013	97,786	17,401	199	26,306	141,692
Exchange differences	3,248	507	29	1,262	5,046
Provided for the year	12,125	4,690	106	6,635	23,556
Disposal of a subsidiary	–	(30)	–	(11)	(41)
Eliminated on written off	–	(1,539)	–	(5,624)	(7,163)
At 31 December 2013	113,159	21,029	334	28,568	163,090

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2012					
Cost					
At 1 January 2012	438,483	25,936	199	45,794	510,412
Exchange differences	2,589	175	–	408	3,172
Additions	–	7,384	151	10,199	17,734
Written off	–	(2,097)	–	(1,619)	(3,716)
At 31 December 2012	441,072	31,398	350	54,782	527,602
Accumulated depreciation and impairment					
At 1 January 2012	85,375	14,638	199	23,181	123,393
Exchange differences	513	111	–	161	785
Provided for the year	11,898	4,133	–	4,192	20,223
Eliminated on written off	–	(1,481)	–	(1,228)	(2,709)
At 31 December 2012	97,786	17,401	199	26,306	141,692
Net book values					
At 31 December 2013	341,852	13,195	826	37,386	393,259
At 31 December 2012	343,286	13,997	151	28,476	385,910

Note:

Hotel buildings are pledged to a bank to secure certain bank loan granted to the Group (Note 37).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2013			
Cost			
At 1 January 2013	152	445	597
Additions	–	20	20
At 31 December 2013	152	465	617
Accumulated depreciation			
At 1 January 2013	–	262	262
Provided for the year	30	51	81
At 31 December 2013	30	313	343
2012			
Cost			
At 1 January 2012	–	306	306
Additions	152	139	291
At 31 December 2012	152	445	597
Accumulated depreciation			
At 1 January 2012	–	213	213
Provided for the year	–	49	49
At 31 December 2012	–	262	262
Net book values			
At 31 December 2013	122	152	274
At 31 December 2012	152	183	335

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

18. INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	HK$'000
Fair value		
At beginning of year	**2,575,421**	2,564,824
Exchange differences	**70,801**	14,572
Additions	**–**	263,067
Disposals	**(63,996)**	(224,294)
Change in fair value	**140,962**	(42,748)
At end of the year	**2,723,188**	2,575,421

19. ANALYSIS OF INVESTMENT PROPERTIES

(a) The analysis of the carrying amount of investment properties is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Lands and buildings held in the PRC:		
– Long lease	**13,961**	13,533
– Medium-term lease	**2,332,783**	2,198,945
– Short lease	**376,444**	362,943
	2,723,188	2,575,421

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) The fair value of investment properties is a level 2 and level 3 requiring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	2013 **HK$'000**	2012 HK$'000
Opening balance (level 2 and level 3 recurring fair value)	**2,575,421**	2,564,824
Additions	**–**	263,067
Disposals	**(63,996)**	(224,294)
– Gains/(losses) on revaluation of investment properties	**140,962**	(42,748)
Exchange differences	**70,801**	14,572
Closing balance (level 2 and level 3 recurring fair value)	**2,723,188**	2,575,421
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	**140,962**	(42,748)

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) *(Continued)*

Fair value of the Group's investment properties situated in the PRC as at 31 December 2012 and 2013 had been arrived at based on a valuation carried out on that date by DTZ Debenham Tie Leung Limited ("DTZ"), an independent qualified professional valuer not connected with the Group. The fair value of investment properties are arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Retail shops in Shanghai Zendai Thumb Plaza located in Pudong, Shanghai	**Level 3**	**Income Approach**		
		The key inputs are: (1) Capitalisation rate; (2) Monthly unit rent (3) Level adjustment (4) Reversionary Yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6% (2012: 6%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB304/sq.m. (2012: RMB294/sq.m.)	The higher the monthly rent, the higher the fair value.
			3) Level adjustment on individual floors of the property range from 40% to 80% (2012:40%-80%) on specific level	The higher the level adjustment, the lower the fair value.
			(4) Reversionary Yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 6.5% (2012:6.5%).	The higher the reversionary yield, the lower the fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) *(Continued)*

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 2 – Carpark spaces in Shanghai Zendai Thumb Plaza	**Level 2**	**Direct Comparison method based on market observable transactions of similar projects and adjust to reflect the conditions and locations of the subject property**	N/A	N/A
Property 3a – Retail shops in 楊州証大教場 located in Yangzhou City	**Level 3**	**Income Approach**		
		The key inputs are: (1) Capitalisation rate; (2) Monthly unit rent (3) Level adjustment (4) Reversionary Yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5% (2012: 5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB120/sq.m. (2012: RMB116/sq.m.)	The higher the monthly rent, the higher the fair value.
			3) Level adjustment on individual floors of the property at 70% (2012:70%) on specific level	The higher the level adjustment, the lower the fair value.
			(4) Reversionary Yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 5.5% (2012: 5.5%).	The higher the reversionary yield, the lower the fair value.

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) *(Continued)*

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3b – Retail shops in 楊州証大教場 located in Yangzhou City	**Level 3**	**Direct Comparison**		
		The key input is: Price per square metre	Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB17,500/sq.m. (2012: 19,200/sq.m.) for the base level.	The higher the price, the higher the fair value.
Property 4 – Retail shops of Qingdao Zendai Thumb Plaza located in Qingdao City	**Level 3**	**Income Approach**		
		The key inputs are: (1) Capitalisation rate; (2) Monthly unit rent (3) Level adjustment (4) Reversionary Yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 6% to 8% (2012: 6% to 8%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of range from RMB43/sq.m. to 232/sq.m. (2012: RMB43/sq.m. to 219/sq.m.)	The higher the monthly rent, the higher the fair value.
			3) Level adjustment on individual floors of the property range from 30% to 60% (2012: 30%-60%)on specific level	The higher the level adjustment, the lower the fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) *(Continued)*

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
			(4) Reversionary Yield, taking into account annual unit market rental income and unit market value of the comparable properties range from 6.5% to 8.5% (2012: 6.5% to 8.5%).	The higher the reversionary yield, the lower the fair value.
Property 5 – Clubhouse of 水清木華公寓 located in Pudong, Shanghai	**Level 3**	**Income Approach**		
		The key inputs are: (1) Capitalisation rate; (2) Monthly unit rent (3) Reversionary Yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5.5% (2012: 5.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB15/sq.m. (2012: RMB15/sq.m.) for the base level.	The higher the monthly rent, the higher the fair value.
			(3) Reversionary Yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 6% (2012: 6%).	The higher the reversionary yield, the lower the fair value.

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) *(Continued)*

There were no changes to the valuation techniques between the current year and prior year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(c) The directors estimated that the effect on the fair value of investment properties in response to reasonably possible changes in the key inputs would be insignificant for the year ended 31 December 2012 and 2013.

(d) Investment properties with carrying amount of HK$2,473,761,000 (2012: HK$2,285,078,000) are pledged to banks to secure certain bank loans granted to the Group (Note 54).

(e) Gross rental income from investment properties amounted to HK$100,819,000 (2012: HK$67,264,000).

20. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's payment for leasehold land held for own use under operating leases is pledged to a bank to secure a bank loan granted to the Group (Note 54).

	Group	
	2013	2012
	HK$'000	HK$'000
Land use right in the PRC		
– Medium-term lease	**617,316**	619,904

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

21. GOODWILL

	Group HK$'000
At 1 January 2012	101,763
Exchange differences	212
At 31 December 2012	101,975
Exchange differences	1,042
Impairment loss	(65,417)
At 31 December 2013	**37,600**

22. IMPAIRMENT TESTING ON GOODWILL

Goodwill acquired through certain business combinations has been allocated to two (2012: two) major cash generating units for impairment testing.

The cash-generating units are property development projects of subsidiaries and located in the cities of Qingdao and Shanghai and are either currently available for sale or will be available for sale in the forthcoming five years.

The recoverable amounts for the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 10% (2012: 10%) per annum.

The carrying amount of goodwill as at 31 December 2013 allocated to each of the two (2012: two) cash-generating units is as follows:

	2013 HK$'000	2012 HK$'000
Sales of properties:		
上海証大三角洲置業有限公司(「証大三角洲」)	**37,600**	36,558
Lanrich International Limited ("Lanrich")	**–**	65,417
	37,600	101,975

22. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

The management has adopted the following key assumptions in preparation of the cash flow projections to undertake impairment testing of goodwill:

– Selling prices – The market prices of the comparable properties nearby

– Construction costs – The estimated costs including infrastructure costs to complete the property development projects

– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

The carrying values of goodwill were tested for impairment as at 31 December 2013 and 2012. For the year ended 31 December 2012, no impairment loss was recognised in profit or loss. The Group made a full provision of impairment loss of HK$65,417,000 in related to Landrich's CGU during the year 2013 because its underlying remaining undeveloped land parcel was disposed to an independent third party and the management is uncertain about the future profitability of the business.

23. INTERESTS IN ASSOCIATES

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**410,983**	545,918
Amounts due from associates *(note a)*	**1,075,479**	798,782
	1,486,462	1,344,700

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

23. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates at 31 December 2013 are as follows:

Name	Form of business structure	Place of establishment and operations	Particulars of paid-up capital	Percentage of ownership interest	Principal activities
上海証大喜瑪拉雅置業有限公司（「証大喜瑪拉雅」）	Corporation	The PRC	Registered capital RMB633,630,000	45%	Hotel operation and properties rental in the PRC
青島上實地產有限公司	Corporation	The PRC	Registered capital US$3,620,000	45%	Property development in the PRC

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) The Group has disposed of its 30% equity interests in 中科廊坊科技谷有限公司 in year 2012.

The summarised financial information in respect of the Group's associates is set out below:

	2013 HK$'000	2012 HK$'000
Total assets	**5,948,046**	5,662,853
Total liabilities	**(4,658,377)**	(4,099,685)
Net assets	**1,289,669**	1,563,168
Group's share of net assets of associates	**410,983**	545,918
Total revenue	**672,508**	219,764
Total loss for the year	**(229,475)**	(368,073)
Group's share of results of the associates for the year	**(103,264)**	(159,189)

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect of a Group's material associate, 証大喜瑪拉雅 is set out below. The summarised financial information below represents amounts shown in the associate's unaudited management amounts prepared in accordance with HKFRSs.

	2013 HK$'000	2012 HK$'000
As at 31 December		
Current assets	**784,234**	356,497
Non-current assets	**4,747,455**	4,826,428
Current liabilities	**(1,996,469)**	(1,940,795)
Non-current liabilities	**(2,640,655)**	(2,082,046)
Included in the above amounts are:		
Cash and cash equivalents	**32,652**	41,311
Current financial liabilities (excluding trade and other payable)	**(1,347,005)**	(1,265,140)
Non-current financial liabilities (excluding other payable and provision)	**(2,640,637)**	(2,082,043)
Year ended 31 December		
Revenues	**303,127**	202,539
Loss from continuing operations	**(300,381)**	(324,455)
Total comprehensive income	**(263,328)**	(315,937)
Included in the above amounts are:		
Depreciation and amortisation	**(82,014)**	(80,148)
Interest income	**458**	289
Interest expense	**(144,321)**	(123,248)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

24. INTERESTS IN JOINT VENTURES

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**1,386,006**	43,389
Amounts due from joint ventures *(note a)*	**685,509**	813,599
	2,071,515	856,988

Details of the Group's joint ventures are as follows:

Name	Form of business structure	Place of establishment and operations	Particulars of issued and paid-up capital	Percentage of ownership interest	Principal activities
文廣証大南通文化投資發展有限公司 ("文廣証大")	Corporation	The PRC	Registered capital RMB100,000	50%	Property development in the PRC
Top Harbour Limited	Corporation	New Zealand	Issued capital NZD1,000	45%	Property development in New Zealand
南京証大大拇指商業發展有限公司 ("Nanjing Zendai") *(note b)*	Corporation	The PRC	Registered capital RMB1,199,682,000	90%	Property development in the PRC

Note:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) Pursuant to the Agreement (as defined) as detailed in note 48(a), Nanjing Zendai became a joint venture of the Group. According to the Agreement, the Venturer is entitled to 23% of the profit of Nanjing Zendai since 5 January 2013, on which date the Group completed the disposal of 10% equity interest therein (the "Completion Date"). The Group is granted the right to request the venturer to sell its Sale Interest (as defined) to the Group and the Venturer is granted the right to request the Group to repurchase its Sale Interest on the earlier of 45 months from the Completion Date and the date on which sales rate of all properties (including the pre-sale and delivered properties) on the property development project reaches 90%. The consideration for the Sale Interest under such repurchase is the aggregate of the registered capital of Nanjing Zendai contributed by the Venturer and 23% of all the distributable profit of Nanjing Zendai assuming Nanjing Zendai being liquidated, minus the profit already distributed to Nanjing Zendai during the period from the Completion Date to the date of such repurchase.

24. INTERESTS IN JOINT VENTURES *(Continued)*

Note: (Continued)

(c) The Group has discontinued recognition of its share of losses of certain joint ventures. The amounts of unrecognised share of a joint venture, both for the year and cumulatively, are as follows:

	2013 **HK$'000**	2012 HK$'000
Unrecognised share of loss of a joint venture for the year	**676**	–
Accumulated unrecognized share of loss of a joint venture	**676**	–

The summarised financial information in respect of the Group's joint ventures which are accounted for using the equity method is set out below:

	2013 **HK$'000**	2012 HK$'000
Non-current assets	**6,718**	729
Current assets	**4,410,034**	1,743,139
Current liabilities	**(1,739,911)**	(1,472,543)
Non-current liabilities	**(1,106,041)**	(184,547)
Net assets	**1,570,800**	86,778
Group's share of net assets of the joint ventures	**1,386,006**	43,389
Income	**216,348**	4,894
Expenses	**(255,665)**	(24,055)
Loss for the year	**(39,317)**	(19,161)
Group's share of results of the joint ventures	**(28,189)**	(9,580)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

24. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information in respect of a Group's material joint venture, Nanjing Zendai is set out below. The summarised financial information below represents amounts shown in the joint venture's unaudited management amounts prepared in accordance with HKFRSs.

	2013 **HK$'000**
As at 31 December	
Current assets	**2,307,848**
Non-current assets	**1,656**
Current liabilities	**(84,224)**
Non-current liabilities	**(736,134)**
Included in the above amounts are:	
Cash and cash equivalents	**32,202**
Current financial liabilities (excluding trade and other payable)	**(77,409)**
Non-current financial liabilities (excluding other payable and provision)	**(736,134)**
Year ended 31 December	
Revenues	**1,607**
Loss from continuing operations	**(31,873)**
Total comprehensive income	**884,091**
Included in the above amounts are:	
Depreciation and amortisation	**(382)**
Interest income	**1,607**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

25. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity interests, at cost *(note a)*	**67,712**	30,906
Investment funds, at fair value *(note b)*	**2,665**	2,584
	70,377	33,490

	Group	
	2013	2012
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Non-current assets	**67,712**	30,906
Current assets	**2,665**	2,584
	70,377	33,490

Notes:

(a) The balance represents investments cost of HK$67,712,000 (2012: HK$30,906,000) in two (2012: three) private entities established in the PRC and are classified under non-current assets. They are measured at cost less any impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(b) These funds are operated by the Agricultural Bank of China and Bank of Communication. According to the funds' prospectus, these funds invest in listed and unlisted securities in the PRC and other commodities contracts. The expected return on these funds ranged from 3% to 5% as estimated by the issuers.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

26. PROPERTIES UNDER DEVELOPMENT AND FOR SALES

	Group	
	2013	2012
	HK$'000	HK$'000
Properties		
– Under development	**4,020,295**	4,724,504
– For sales	**2,773,713**	1,152,582
	6,794,008	5,877,086

Properties under development and for sales with carrying amount of HK$1,118,894,000 (2012: HK$1,500,587,000) are pledged to banks to secure certain bank loans (Note 54) granted to the Group.

Properties under development and for sales which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and for sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK$2,558,174,000 (2012: HK$1,584,794,000).

27. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Food, beverage and low value consumables	**1,982**	2,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

28. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note a)*	**38,258**	31,395	**–**	–
Refundable deposits for potential acquisition of land use rights	**57,589**	168,411	**–**	–
Deposits	**23,176**	47,193	**–**	–
Prepayments	**128,204**	129,972	**9,402**	4,684
Consideration receivables on disposal of subsidiaries *(note 48)*	**138,342**	170,318	**–**	–
Other receivables *(note b)*	**84,954**	77,377	**843**	1,085
	470,523	624,666	**10,245**	5,769

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The ageing analysis of trade receivables at the end of reporting period is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current (i)	**2,613**	3,205
Less than 1 month past due	**3,515**	8,964
1 to 3 months past due	**18,770**	3,343
More than 3 months but less than 12 months past due	**9,024**	8,271
More than 12 months past due	**4,336**	7,612
Amount past due but not impaired (ii)	**35,645**	28,190
	38,258	31,395

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$35,645,000 (2012: HK$28,190,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(k)(ii). The directors consider the balance would be recoverable.

(b) Included in the amount was an other receivable of approximately HK$52,500,000 in relation to an agreement signed between the Group and an independent third party for a property development project. The Group paid approximately HK$52,500,000 for the project pursuant to the terms of the agreement but the agreement was subsequently cancelled as agreed by both parties. The receivable of HK$52,500,000 was due to be refundable to the Group on 30 June 2013 and carried no interest. It is further subject to a six months concession after 30 June 2013 which carried 10% interest per annum. The Group has received HK$20,000,000 on 4 March 2014 and further signed an agreement to extend the repayment period till 31 December 2014 which carried 10% interest per annum. The Group held seven artworks (2012: four) as collateral for the receivable. The Group considers that the credit risk arising from the receivable is significantly mitigated by the artworks held as collateral, with reference to the estimated market value of the artworks at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

29. DEPOSITS FOR PROPERTY DEVELOPMENT

	Group	
	2013	2012
	HK$'000	HK$'000
Deposits for acquisition of land use rights in the PRC	**291,915**	414,276
Prepayments to property construction contractors	**4,024**	27,562
	295,939	441,838

30. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	**Related party relationship**	Group		**Maximum amount outstanding during the year**
		2013	2012	
		HK$'000	HK$'000	**HK$'000**
Zendai Investment Development Limited	Mr. Dai	**14,204**	13,769	14,204
北京証大資源有限公司	Mr. Dai	**635**	615	635
上海喜瑪拉雅美術館	Mr. Dai	**2**	2	2
上海証大投資發展有限公司	Mr. Dai	**20**	79	79
江蘇証大投資發展有限公司	Mr. Dai	**635**	615	635
南通傳人印務包裝有限公司	Mr. Dai	**603**	–	603
上海証建築裝飾工程有限公司	Mr. Dai's close member	**157**	–	157
		16,256	15,080	16,315

The amounts are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

31. AMOUNTS DUE FROM/TO MINORITY OWNERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

32. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure certain bank loans (Note 37) granted to the Group. The pledged bank deposits carry interest ranging from 3.25% to 3.50% per annum (2012: 3.05% to 3.50% per annum).

33. TRADE, NOTES AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note a)*	**1,054,627**	887,437	**–**	–
Notes payables *(note a)*	**–**	28,297	**–**	–
Other payables and accruals	**418,126**	534,283	**8,600**	4,167
	1,472,753	1,450,017	**8,600**	4,167
Less: other payables due for settlement after one year:				
– Consideration payable for acquisition of land use rights *(note b)*	**(153,598)**	(149,193)	**–**	–
– Consideration payable for acquisition of a subsidiary *(Note 47)*	**–**	(22,687)	**–**	–
	(153,598)	(171,880)	**–**	–
	1,319,155	1,278,137	**8,600**	4,167

33. TRADE, NOTES AND OTHER PAYABLES *(Continued)*

Notes:

(a) The ageing analysis of trade and notes payables at the end of reporting period is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current or less than 1 month	**872,951**	695,539
1 – 3 months	**31,069**	59,339
More than 3 months but less than 12 months	**10,283**	6,483
More than 12 months	**58,146**	130,783
	972,449	892,144
Retention money	**82,178**	23,590
	1,054,627	915,734

The trade and notes payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

(b) The amount represents consideration for acquisition of land use rights amounting to RMB360,000,000 (equivalent to HK$456,911,000) payable to an independent third party. The balance is repayable in 38 years by annual instalments, starting from February 2009. The carrying amount of the payable of RMB129,020,000 (equivalent to HK$163,752,000) (2012: RMB129,264,000 (equivalent to HK$159,035,000)) of which RMB8,000,000 (equivalent to HK$10,154,000) (2012: RMB8,000,000 (equivalent to HK$9,842,000)) is included in current liabilities as at 31 December 2013 represents the expected cash flows from settlement of the payable discounted at the effective interest rate of 6% per annum prevailing at the time of recognition of the payable plus unwinding discount less settlement made up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

34. ENTRUSTED LOAN RECEIVABLES

During the year, the Group entered into entrusted loans arrangements with a joint venture of the Group in the amounts of RMB100,000,000 (equivalent to HK$126,919,000), with a bank, in which the Group acts as the entrusting party, the bank acts as the lender, and the joint venture acts as the borrower (the "Entrusted Loans"). The Entrusted Loans receivables and Entrusted Loans payables cannot be set off and bear interests at 9% per annum and are repayable within one year. The Entrusted Loans are used to finance the operation and working capitals needs of the inter parties.

During the year ended 2012, the Group entered into entrusted loan arrangement with a joint venture of the Group, in the amount of RMB90,000,000 (equivalent to approximately HK$110,728,000), with a bank in the PRC, in which the Group acts as the entrusting party, the bank acts as the lender, and the joint venture acts as the borrower (the "2012 Entrusted Loan"). The 2012 Entrusted Loan receivable bears interest at 15% per annum and is repayable within one year. The Entrusted Loan is made to finance the operation and working capitals needs of 文廣証大. The amount was settled during the year 2013.

35. AMOUNTS DUE TO A JOINT VENTURE

The amounts were unsecured, interest-free and repayable on demand.

36. AMOUNTS DUE TO RELATED COMPANIES

The amounts were unsecured, interest-free and repayable on demand. The Company's director, Mr. Dai, had beneficial interests in these related companies.

37. BANK LOANS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured *(note a)*	**6,144,679**	4,907,470	**2,053,009**	638,623
Unsecured	**–**	49,213	**–**	–
	6,144,679	4,956,683	**2,053,009**	638,623

At the end of reporting period, the bank loans were repayable as follows:

	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Within one year	**3,459,042**	1,325,085	**1,773,769**	–
More than one year, but not exceeding two years	**769,768**	1,603,646	**–**	638,623
More than two years, but not exceeding five years	**1,201,311**	1,219,636	**279,240**	–
After five years	**714,558**	808,316	**–**	–
	6,144,679	4,956,683	**2,053,009**	638,623
Less: Amount repayable within one year included in current liabilities	**(3,459,042)**	(1,325,085)	**(1,773,769)**	–
Amount repayable after one year	**2,685,637**	3,631,598	**279,240**	638,623

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

37. BANK LOANS *(Continued)*

Notes:

(a) Included in the amount were the entrusted loans amounted to RMB626,500,000 (equivalent to HK$795,152,000) (2012: RMB542,320,000 (equivalent to HK$667,224,000)), where entrusted loan arrangement were made between the subsidiaries of the Group, the independent third party and a bank in the PRC, in which the independent third party acts as the entrusting party, the bank acts as the lender, and the subsidiaries act as the borrowers. The entrusted loans bear interest at 9% per annum (2012: 10% per annum) and are repayable within 2 years (2012: 2 to 2.5 years).

(b) Included in bank loans is a loan (the "Loan") of HK$300,000,000 which carries a covenant that requires Mr. Dai, the controlling shareholder and an executive director of the Company to beneficially own, directly or indirectly, 35% or more of the issued share capital and ownership interests in the Company or to remain as the single largest shareholder of the Company.

The Loan are secured by the entire shares of Auto Win Investments Limited, a wholly-owned subsidiary of the Company, a Company incorporated in British Virgin Islands.

The Company has breached one of the covenants that the Loan may become due immediately. The Company is now negotiating with the lender for waiver. As at the date of this report, the Company has sufficient cash and if waiver is not given, the Company shall forthwith repay the Loan and its accrued interest.

(c) The bank loans are secured by the Group's assets as detailed in note 54(a). Corporate guarantees were also given to banks for certain bank loans by a related company, which is beneficially owned by Mr. Dai, a director and shareholder of the Company.

38. TAX PREPAYMENTS/PAYABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**44,287**	12,971
LAT prepayments *(note)*	**91,041**	31,901
	135,328	44,872

	Group	
	2013	2012
	HK$'000	HK$'000
Tax payables		
PRC Enterprise Income Tax payable	**89,353**	215,817
LAT provision *(note)*	**902,850**	1,045,921
	992,203	1,261,738

Note:

The Group is subject to LAT in the PRC and is required to prepay 1% to 5% (2012: 1% to 5%) of the proceeds from sale and pre-sale of the properties. However, the implementation of LAT varies amongst various PRC cities and the Group has not finalised its LAT returns with various local tax bureaus.

On 28 December 2006, the PRC State Administration of Taxation issued a circular, which took effect on 1 February 2007 to request real estate developers to settle the final LAT payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Since then, local tax bureaus, including the Shanghai tax bureau, have issued local implementation rules and procedures from time to time. In order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT fully in accordance with the requirements of State Administration of Taxation and the issued implementation rules and procedures.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

39. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current and prior years were as follows:

	Group				
	Revaluation of property, plant and equipment and payment for leasehold land HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on dividend HK$'000	Total HK$'000
At 1 January 2012	200,202	189,336	130,024	173,248	692,810
Exchange differences	1,046	1,614	690	172	3,522
(Credit)/charge to statement of comprehensive income for the year *(Note 13)*	–	(74,439)	824	20,056	(53,559)
At 31 December 2012	201,248	116,511	131,538	193,476	642,773
Exchange differences	5,630	3,045	3,199	878	12,752
Charge/(credit) to statement of comprehensive income for the year *(Note 13)*	–	20,082	(13,888)	(80,650)	(74,456)
At 31 December 2013	**206,878**	**139,638**	**120,849**	**113,704**	**581,069**

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of HK$8,469,000 (2012: HK$8,347,000) can be carried forward indefinitely and the tax losses of HK$358,095,000 (2012: HK$351,042,000) will expire in five years' time.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed through its operations to the following risks from its use of financial instruments:

- Market risks (Interest rate risk, foreign exchange risk and equity price risk)
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board of Directors. Certain risks are managed centrally, while others are managed locally following guidelines stipulated by the central management. The policy for each of the above risks is described in more detail below.

Market risks

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank loans.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate bank loans, entrusted loan receivables and payables and pledged bank deposit. The Group currently does not use any derivative contracts to hedge the interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate").

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Interest rate profile

The following table details interest rates analysis that the management of the Group evaluates their interest rate risk.

	Group				Company			
	2013 Effective interest rate (%)	**HK$'000**	2012 Effective interest rate (%)	HK$'000	**2013 Effective interest rate (%)**	**HK$'000**	2012 Effective interest rate (%)	HK$'000
Financial liabilities								
Fixed rate borrowings								
– Bank loans	**4.81%**	**2,757,758**	5.81%	2,242,063	**1.76%**	**835,146**	–	–
Floating rate borrowings								
– Bank loans	**5.73%**	**3,386,921**	5.82%	2,714,620	**4.14%**	**1,217,863**	3.50%	638,623
Financial assets								
Fixed rate financial assets								
– Pledged bank deposits	**2.68%**	**1,571,342**	3.27%	1,317,421	**-**	**-**	–	–
– Entrusted loan receivables	**9%**	**126,919**	15%	110,728	**-**	**-**	–	–
– Other receivables	**10%**	**52,000,000**	–	–	**-**	**-**	–	–
Floating rate financial assets								
– Cash and cash equivalents	**0.7%**	**942,721**	0.5%	1,508,600	**0.01%**	**101,514**	0.34%	23,576

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Sensitivity analysis

At the respective end of reporting periods, if the Benchmark Rate had increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$18,311,000 (2012: HK$9,045,000) for the year ended 31 December 2013.

(b) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The Group and the Company undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group and the Company's certain cash and cash equivalents and the senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the respective end of reporting periods are as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
HK$	**159,339**	41,351	**99,566**	–
United States dollars ("USD")	**291,188**	46,814	**1,232**	8,178
New Zealand dollars ("NZD")	**716**	115,496	**716**	–
South Africa rand ("ZAR")	**5,693**	–	**–**	–
Liabilities				
HK$	**300,000**	4,837	**–**	–
USD	**2,400,164**	1,676,436	**2,398,530**	640,300

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risks *(Continued)*

(b) Foreign exchange risk (Continued)

Sensitivity analysis

The Group through its subsidiaries operating in the PRC, New Zealand and South Africa mainly exposes to the currency risk of HK$ against RMB, NZD and ZAR against HK$ respectively while the Company mainly exposes to the currency risk of USD against HK$.

The directors estimated that the effect on the profit after tax in the next accounting period in response to reasonably possible changes in the respective exchange rates would be insignificant for the years ended 31 December 2012 and 2013.

(c) Equity price risk

The Group is exposed to equity price risk through its investment in investment funds. The management closely monitors the price changes and takes appropriate action when necessary.

Sensitivity analysis

The directors estimated that the effect on the profit after tax and other component of equity in the next accounting period in response to reasonably possible changes in the prices of the respective equity instruments would be insignificant for the years ended 31 December 2012 and 2013.

Liquidity risk

Internally generated cash flows, bank loans, amount due to a joint venture, amounts due to related parties are the general sources of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The contractual maturities of financial liabilities are shown as below:

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2013						
Non-derivatives:						
Trade, notes and other payables	**1,319,155**	**1,319,155**	**1,319,155**	**–**	**–**	**–**
Other payables (non-current)	**153,598**	**436,604**	**–**	**10,154**	**71,075**	**355,375**
Bank loans	**6,144,679**	**6,471,347**	**3,342,783**	**968,665**	**1,407,353**	**752,546**
Amount due to related companies	**41,752**	**41,752**	**41,752**	**–**	**–**	**–**
Amount due to a joint venture	**635,867**	**635,867**	**635,867**	**–**	**–**	**–**
Amount due to minority owners of subsidiaries	**56,319**	**56,319**	**56,319**	**–**	**–**	**–**
Financial guarantee contracts	**–**	**369,987**	**369,987**	**–**	**–**	**–**
	8,351,370	**9,331,031**	**5,765,863**	**978,819**	**1,478,428**	**1,107,921**
2012						
Non-derivatives:						
Trade, notes and other payables	1,278,137	1,278,137	1,278,137	–	–	–
Other payables (non-current)	171,880	424,440	–	9,843	70,109	344,488
Bank loans	4,956,683	5,244,887	1,402,131	1,696,889	1,290,551	855,316
Amount due to an minority owner of a subsidiary	42,714	42,714	42,714	–	–	–
Financial guarantee contracts	–	246,505	246,505	–	–	–
	6,449,414	7,236,683	2,969,487	1,706,732	1,360,660	1,199,804

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2013						
Non-derivatives:						
Other payables	**8,600**	**8,600**	**8,600**	**–**	**–**	**–**
Amounts due to subsidiaries	**245,885**	**245,885**	**245,885**	**–**	**–**	**–**
Bank loans	**2,053,009**	**2,150,063**	**71,855**	**2,078,208**	**–**	**–**
	2,307,494	**2,404,548**	**326,340**	**2,078,208**	**–**	**–**
2012						
Non-derivatives:						
Other payables	4,167	4,167	4,167	–	–	–
Amounts due to subsidiaries	386,092	386,092	386,092	–	–	–
Bank loan	638,623	668,814	22,352	646,462	–	–
	1,028,882	1,059,073	412,611	646,462	–	–

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2013 and 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and guarantees provided by the Group as disclosed in note 51. The Group has policies in place to determine credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

41. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and trading on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

42. SHARE CAPITAL

(a) Authorised and issued share capital

	Company			
Authorised	**2013 Number**	**2013 HK$'000**	2012 Number	2012 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000
Issued and fully paid	**2013 Number**	**2013 HK$'000**	2012 Number	2012 HK$'000
Ordinary shares of HK$0.02 each				
At beginning of the year	**12,437,351,515**	**248,747**	12,463,811,515	249,276
Placement of shares *(note a(i))*	**2,442,000,000**	**48,840**	–	–
Cancellation upon repurchase of shares *(note a(ii))*	**–**	**–**	(26,460,000)	(529)
At end of the year	**14,879,351,515**	**297,587**	12,437,351,515	248,747

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

42. SHARE CAPITAL *(Continued)*

(a) Authorised and issued share capital *(Continued)*

Notes:

(i) On 21 June 2013, the Company entered into 2 share subscription agreements to issue 2,442,000,000 new shares at the subscription price of HK$0.14 each to 2 independent parties. All the shares ranked pari passu in all respects among themselves and all other existing shares. These new shares were issued on 16 July 2013 and the subscription money of HK$341,880,000 was duly received.

(ii) The Company was authorised to repurchase its own shares not exceeding 10% of the aggregate nominal amount of its issued share capital. The Company repurchases its shares on the Stock Exchange when the directors are of the view that the shares are significantly trading at a discount in order to enhance shareholders' value.

The details of repurchase of the Company's own ordinary shares on the Stock Exchange during the years ended 31 December 2012 are as follows:

Month/year of repurchase	Number of Ordinary shares of nominal value of HK$0.02 each repurchased	Consideration per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$'000
January 2012	26,460,000	0.138	0.125	3,448

The repurchased shares were cancelled during the years ended 31 December 2012, and the issued share capital of the Company was reduced by the nominal value thereof. The premium paid and the related costs on repurchases of the shares of HK$2,933,000 were charged to share premium.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2012 and 2013.

42. SHARE CAPITAL *(Continued)*

(b) Capital management policy

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which comprise non-current other payables, bank loans, other borrowing, entrusted loan payables and senior loan notes less cash and cash equivalents and pledged bank deposits). Adjusted capital comprises all components of equity.

During the year, the Group's strategy was to maintain the net debt-to-adjusted capital ratio at the lower end of the range 60% to 70%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

42. SHARE CAPITAL *(Continued)*

(b) Capital management policy *(Continued)*

The net debt-to-adjusted capital ratio at 31 December 2013 and 2012 was calculated as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current liabilities		
Bank loans	**3,459,042**	1,325,085
Non-current liabilities		
Bank loans	**2,685,637**	3,631,598
Other payables	**153,598**	171,880
	2,839,235	3,803,478
Total debt	**6,298,277**	5,128,563
Less: Cash and cash equivalents	**(942,721)**	(1,508,600)
Pledged bank deposits	**(1,571,342)**	(1,317,421)
Net debt	**3,784,214**	2,302,542
Total equity and adjusted capital	**6,630,960**	5,799,835
Net debt-to-adjusted capital ratio	**57%**	40%

42. SHARE CAPITAL *(Continued)*

(c) Share option scheme

2012 Share option scheme

During the year, the Company adopted a share option scheme on 18 July 2012 (the "2012 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 18 July 2012, the Company adopted the 2012 Share Option Scheme which will expire on 17 July 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

42. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

2012 Share option scheme (Continued)

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

During the year, no option has been granted under the 2012 Share Option Scheme.

The exercise price of options outstanding at the end of the year range between HK$0.3840 and HK$0.3850 (2012: HK$0.3840 and HK$0.3850) and their weighted average remaining contractual life were 0.24 years (2012: 1.12 years).

Of the total number of options outstanding at the end of the year, options for 182,000,000 (2012: 220,000,000) shares had vested and were exercisable at the end of the year.

Options for 80,000,000 shares had been lapsed (2012: 28,000,000 has been forfeited) during the year ended 31 December 2013. The value of lapsed options of HK$11,057,000 (2012: forfeited options of HK$3,561,000) was released directly to retained profits.

42. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

The following tables disclose the movements in such share options during the year:

Date of grant	Exercisable period	Exercise price HK$	Number of shares in respect of the options granted: Outstanding at 1 January 2013	Lapsed during the year	Outstanding at 31 December 2013
Options granted to directors					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	17,000,000	(17,000,000)	–
12 November 2009	12 November 2011 – 11 November 2013	0.3850	9,000,000	(9,000,000)	–
12 November 2009	12 November 2012 – 11 November 2013	0.3850	9,000,000	(9,000,000)	–
30 March 2010	30 March 2011 – 29 March 2014	0.3840	20,000,000	–	20,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	10,000,000	–	10,000,000
			65,000,000	(35,000,000)	30,000,000
Options granted to former director					
30 March 2010	31 March 2011 – 29 March 2014	0.3840	48,000,000	–	48,000,000
30 March 2010	31 March 2012 – 29 March 2014	0.3840	36,000,000	–	36,000,000
30 March 2010	31 March 2013 – 29 March 2014	0.3840	36,000,000	–	36,000,000
			120,000,000	–	120,000,000
Options granted to employees					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	30,000,000	(30,000,000)	–
12 November 2009	12 November 2011 – 11 November 2013	0.3850	15,000,000	(15,000,000)	–
30 March 2010	30 March 2011 – 29 March 2014	0.3840	15,000,000	–	15,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	11,000,000	–	11,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	6,000,000	–	6,000,000
			77,000,000	(45,000,000)	32,000,000
			262,000,000	(80,000,000)	182,000,000
Weighted average exercise price (HK$)			0.3843	0.3850	0.3840

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

42. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

Date of grant	Exercisable period	Exercise price HK$	Number of shares in respect of the options granted: Outstanding at 1 January 2012	Forfeited during the year	Outstanding at 31 December 2012
Options granted to directors					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	22,000,000	(5,000,000)	17,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	14,000,000	(5,000,000)	9,000,000
12 November 2009	12 November 2012 – 11 November 2013	0.3850	9,000,000	–	9,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	25,000,000	(5,000,000)	20,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	10,000,000	–	10,000,000
			80,000,000	(15,000,000)	65,000,000
Options granted to former director					
30 March 2010	30 March 2011 – 29 March 2014	0.3840	48,000,000	–	48,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	36,000,000	–	36,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	36,000,000	–	36,000,000
			120,000,000	–	120,000,000
Options granted to employees					
12 November 2009	12 May 2010 – 11 November 2013	0.3850	8,000,000	(8,000,000)	–
12 November 2009	12 November 2010 – 11 November 2013	0.3850	35,000,000	(5,000,000)	30,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	15,000,000	–	15,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	15,000,000	–	15,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	11,000,000	–	11,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	6,000,000	–	6,000,000
			90,000,000	(13,000,000)	77,000,000
			290,000,000	(28,000,000)	262,000,000
Weighted average exercise price (HK$)			0.3844	0.3848	0.3843

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

43. RESERVES

Company	Share premium *(note (a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(note (b))* HK$'000	Special capital reserve *(note (c))* HK$'000	Share option reserve *(note (d))* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	1,874,593	1,074	157,315	68,541	39,378	(177,351)	1,963,550
Cancellation upon repurchases of own shares	(2,919)	–	–	–	–	–	(2,919)
Transaction costs attributable to repurchase of shares	(14)	–	–	–	–	–	(14)
Release upon forfeiture of share options	–	–	–	–	(3,561)	3,561	–
Loss for the year	–	–	–	–	–	(60,787)	(60,787)
At 31 December 2012	1,871,660	1,074	157,315	68,541	35,817	(234,577)	1,899,830
Issuance of ordinary shares	293,040	–	–	–	–	–	293,040
Transaction costs attributable to issuance of shares	(18)	–	–	–	–	–	(18)
Release upon lapse of share options	–	–	–	–	(11,057)	11,057	–
Loss for the year	–	–	–	–	–	(98,059)	(98,059)
At 31 December 2013	**2,164,682**	**1,074**	**157,315**	**68,541**	**24,760**	**(321,579)**	**2,094,793**

Notes:

(a) Amount subscribed for share capital in excess of nominal value.

(b) The Company's contributed surplus represents the credit arising from the effect of share premium offset against accumulated losses in previous years.

(c) The special capital reserve represents the credit arising from the effect of reduction in share capital in previous years.

(d) Share option reserve represents the share-based payment under the Company's share option scheme.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

44. LEASES

Operating leases – lessee

The lease payments recognised as expenses are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Minimum lease payments	**197,234**	57,699	**1,724**	2,014

The total future minimum lease payments are due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**4,438**	42,056	**1,881**	459
Later than one year and not later than five years	**45,737**	83,284	**919**	18
Later than five years	**178,592**	–	**–**	–
	228,767	125,340	**2,800**	477

Operating lease payments in respect of rented premises payable by the Group relate to certain commercial properties for sub-letting and certain of its office premises. Leases are usually negotiated for an average term of two to ten years. Certain operating lease agreements in respect of the commercial properties for subletting last for 10 years and they are subject to contingent rent payments charged at 50% of the excess of monthly sublet income over the base rents as determined in the respective agreements, for the latter five years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

44. LEASES *(Continued)*

Operating leases – lessor

The Group's investment properties and certain properties for sales are leased to a number of tenants for leasing period from 4 to 20 years and 14 to 15 years respectively.

The minimum rent receivables under non-cancellable operating leases are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Not later than one year	**80,140**	86,356
Later than one year and not later than five years	**319,238**	258,039
Later than five years	**487,093**	521,054
	886,471	865,449

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

45. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local Municipal Government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC Municipal Government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

46. INTERESTS IN SUBSIDIARIES

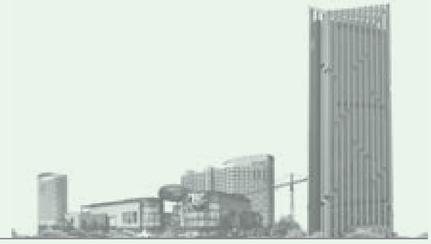
	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**1,003,716**	1,003,716
Amounts due from subsidiaries	**3,566,806**	2,144,063
Amounts due to subsidiaries	**(245,885)**	(386,092)

The amounts due from/to subsidiaries are unsecured, interest-free, repayable on demand and included in the Company's current assets and current liabilities respectively.

46. INTERESTS IN SUBSIDIARIES *(Continued)*

The Particulars of the Company's principal subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
上海証大置業有限公司 ("証大置業")*	The PRC	RMB820,000,000	–	100%	Property development and rental in the PRC
証大三角洲#	The PRC	RMB400,000,000	–	100%	Property development in the PRC
上海証大商業旅遊投資發展有限公司^	The PRC	RMB200,000,000	–	100%	Hotel operation and properties rental in the PRC
長春証大置業有限公司^	The PRC	RMB60,000,000	–	95%	Property development in the PRC
揚州証大商旅發展有限公司^	The PRC	RMB30,000,000	–	80%	Property development in the PRC
吉林市証大華城房地產開發有限公司^	The PRC	RMB20,000,000	–	100%	Property development in the PRC
海南新世界發展有限公司^	The PRC	RMB120,000,000	–	100%	Property development in the PRC



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

46. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
成都山水置業有限公司^	The PRC	RMB8,000,000	–	100%	Property development in the PRC
Wah Kong Travel Limited	Hong Kong	HK$1,250,000	–	60%	Sales of air tickets and provision of travel related services in HK
海門証大濱江置業有限公司#	The PRC	USD49,600,000	–	100%	Property development in the PRC
上海証大西鎮置業發展有限公司 (“証大西鎮”)^	The PRC	RMB290,000,000	–	100%	Property development in the PRC
上海証大商業經營有限公司^	The PRC	RMB20,000,000	–	100%	Properties rental, management and agency services in the PRC
上海証大物業管理有限公司^	The PRC	RMB5,000,000	–	100%	Property management in the PRC
海南華意置業有限公司#	The PRC	RMB88,000,000	–	60%	Property Development in the PRC
鄂爾多斯市証大房地產開發有限公司^	The PRC	RMB50,000,000	–	100%	Property development in the PRC
青島証大大拇指商業發展有限公司*	The PRC	USD12,000,000	–	100%	Property development in the PRC

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

46. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	indirectly	Principal activities and place of operations
吉林省君誠房地產開發有限公司 ("吉林省君誠")^	The PRC	RMB200,000,000	–	57%	Property development in the PRC
長春証大物業服務有限公司^	The PRC	RMB500,000	–	100%	Property management in the PRC
吉林市城華物業服務有限公司	The PRC	RMB500,000	–	100%	Property management in the PRC
廊坊市証合泰房地產開發有限公司 ("証合泰")^	The PRC	RMB100,000,000	–	100%	Property development in the PRC
海門証大濱江物業管理有限公司^	The PRC	RMB500,000	–	100%	Property management in the PRC
揚州大拇指商業經營管理有限公司^	The PRC	RMB500,000	–	100%	Property management in the PRC
海門証大創意投資發展有限公司^	The PRC	RMB3,800,000	–	100%	Property development in the PRC
上海証大西鎮大拇指商業經營管理有限公司^	The PRC	RMB1,000,000	–	100%	Property management in the PRC
江蘇証大商業文化發展有限公司^	The PRC	RMB50,000,000	–	100%	Property development in the PRC
上海証大喜瑪拉雅演藝有限公司 ("喜瑪拉雅演藝")^	The PRC	RMB5,000,000	–	100%	Properties rental, management and agency services in the PRC
上海証大喜瑪拉雅酒店管理有限公司^	The PRC	RMB1,000,000	–	100%	Property management in the PRC

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

46. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
青島深藍復式酒店管理有限公司^	The PRC	RMB1,000,000	–	100%	Property management in the PRC
煙台証大大拇指置業有限公司#	The PRC	RMB150,000,000	–	70%	Property development in the PRC
上海証大歌騰投資管理有限公司 ("証大歌騰")^	The PRC	RMB10,000,000	–	51%	Property management in the PRC
南通喜瑪拉雅酒店管理有限公司^	The PRC	RMB1,000,000	–	100%	Property management in the PRC
海門証大商業經營管理有限公司^	The PRC	RMB2,000,000	–	100%	Property management in the PRC
Victory Gateway Limited	British Virgin Islands	USD1	100%	–	Investment holding
Most Perfect International Ltd.	British Virgin Islands	USD100	100%	–	Investment holding
Auto Win Investment Ltd.	British Virgin Islands	USD1	100%	–	Properties rental in the PRC

46. INTERESTS IN SUBSIDIARIES *(Continued)*

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC Laws.

These subsidiaries are registered as sino-foreign equity joint ventures under the PRC Laws.

^ These subsidiaries are registered as limited liability companies under the PRC Laws.

47. ACQUISITION OF A SUBSIDIARY

On 5 September 2012, the Group entered into an agreement with independent third parties to acquire 100% equity interest in 吉林省君誠 at a consideration of RMB45,000,000 (approximately HK$55,364,000). Up to the date of acquisition, 吉林省君誠 has not commenced its operation.

The above acquisition was accounted for as an acquisition of assets and liabilities as the entity acquired by the Group does not constitute a business. Details of the net assets acquired in the above acquisition were as follows:

	HK$'000
Properties under development	34,372
Amounts due from former owners	12,303
Net assets acquired	46,675
Total consideration satisfied by:	
Cash	24,606
Fair value of contingent consideration, payable due for settlement after one year, at the date of acquisition	22,069
	46,675
Net cash outflow arising on acquisition:	
Cash consideration paid	24,606

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

48. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2013

On 16 November 2012, the Group entered into an agreement (the "Agreement") with an independent third party ("Venturer") to dispose of its 10% equity interest ("Sale Interest") in Nanjing Zendai for a cash consideration of RMB120,000,000 (equivalent to approximately HK$148,240,000). The transaction led to the reduction of the Group's equity interests in Nanjing Zendai from 100% to 90%. According to the Agreement, Nanjing Zendai is jointly controlled by the Group and the Venturer and, therefore, Nanjing Zendai became a joint venture of the Group. The disposal was completed on 5 January 2013. The consideration was fully settled on 30 June 2013.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	266
Property held under development	2,974
Other receivable and prepayment	5
Deposits for property development	361,524
Amount due from subsidiaries	1,182,541
Cash and cash equivalents	939,245
Amount due to existing non-controlling interest	(2,739)
Amount due to subsidiaries	(332,642)
Bank loans	(669,944)
	1,481,230
Gain on disposal of 10% equity interests in Nanjing Zendai	117
Total consideration	1,481,347
Total consideration satisfied by:	
Cash received	148,240
Fair value of 90% retained equity interests in Nanjing Zendai	1,333,107
	1,481,347
Net cash outflow arising from the disposal:	
Cash received	148,240
Cash and cash equivalents disposed of	(939,245)
	(791,005)

48. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2012

On 28 October 2011, 証大置業, a wholly-owned subsidiary of the Company, entered into an agreement with 海之門, a former-associate with 35% equity interest held by the Group, for disposal of 上海証大外灘國際金融服務中心置業有限公司（「証大外灘」), a wholly-owned subsidiary of 証大置業, with an independent third party, for a total cash consideration of RMB9,570,000,000 (equivalent to approximately HK$11,675,000,000). The Disposal was completed on 21 May 2012, on which date the Group lost control of 証大外灘. Total final consideration was approximately HK$10,547,287,000 (equivalent to approximately RMB8,578,108,000), of which approximately HK$10,499,925,000 (equivalent to approximately RMB8,539,589,000) was received on 31 December 2012.

The net assets of 証大外灘 at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	4,139
Properties under development	12,476,142
Other receivables	2,058
Cash and cash equivalents	104,666
Other payables	(1,908,552)
Amount due to an associate	(82,402)
Amount due to the major owner of an associate	(49,098)
Shareholder's loan	(1,940,377)
	8,606,576
Repayment of shareholder's loan	1,940,377
Reclassification adjustment of cumulative foreign exchange reserve of the subsidiary from equity to profit or loss for the year	(461,108)
Gain on disposal	461,442
Total consideration	10,547,287
Total consideration satisfied by:	
Cash	10,499,925
Consideration receivable	47,362
	10,547,287
Net cash inflow arising on disposal:	
Cash received	10,499,925
Cash and cash equivalents disposed of	(104,666)
	10,395,259

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

48. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) For the year ended 31 December 2012

On 29 December 2011, 証大置業 entered into another agreement with an independent third party ("Purchaser") for disposal ("Wudaokou Disposal") of its entire interest in and shareholder's loan to Shanghai Zendai Wudaokou Property Company Limited ("Shanghai Zendai Wudaokou"), a wholly-owned subsidiary of 証大置業, for a total cash consideration of RMB2,960,000,000 (equivalent to approximately HK$3,610,000,000). Pursuant to the agreement of Wudaokou Disposal, Shanghai Zendai Wudaokou would dispose all of its assets other than its equity interest and receivable in Shanghai Haizhimen Property Management Co., Ltd ("Shanghai Haizhimen") and the shareholder's loan ("Spin-off") upon Shanghai Zendai Wudaokou was transferred to the Purchaser. Pursuant to a supplemental agreement, the Spin-off could be completed after the Shanghai Zendai Wudaokou was transferred to the Purchaser. Further, pursuant to the agreement of Wudaokou Disposal, part of the consideration would be used for settlement of other borrowing of the Group.

The Wudaokou Disposal was completed on 21 May 2012, on which date the Group lost control of Shanghai Zendai Wudaokou and all conditions precedent to the agreement were satisfied. The total cash consideration was approximately HK$3,639,493,000 (equivalent to approximately RMB2,960,000,000), of which HK$3,516,537,000 (RMB2,860,000,000) was received on 31 December 2012.

	HK$'000
Net assets disposed of:	
Interest in an associate	509,329
Amount due from an associate	2,843,359
Shareholder's loan	(2,908,813)
	443,875
Repayment of shareholder's loan	2,908,813
Reclassification adjustment of cumulative foreign exchange reserve of the subsidiary from equity to profit or loss for the year	(78,398)
Gain on disposal	365,203
Total consideration	3,639,493
Total consideration satisfied by:	
Cash	3,516,537
Consideration receivable	122,956
	3,639,493

49. PARTIAL DISPOSAL OF SUBSIDIARIES

On 17 September 2013, the Group disposed of a 40% equity interest in吉林省君城 (the "Transaction") to an independent third party, at a consideration of HK$105,250,000 (equivalent to RMB84,000,000), which was satisfied by cash. The Transaction results in an increase in other reserves of HK$5,717,000.

Before completion of the above Transaction, the Group had owned 95% effective equity interest in 吉林省君城. Upon completion of the above Transaction, effective equity interest in 吉林省君城 owned by the Group was decreased to 57%.

50. RELATED PARTY TRANSACTIONS/BALANCES

Same as those disclose elsewhere in the financial statements, the Group had entered into the following significant transactions and had balances with related parties:

(a) Compensation of key management personnel

The remuneration of directors who are also members of key management during the year was as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Short-term benefits	**9,369**	12,328
Post-employment benefits	**95**	162
	9,464	12,490

The remuneration of directors is determined by reference to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

50. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(b) Balances with related parties

		Amounts owed to the Group by related parties		Amounts owed by the Group to related parties	
		As at 31 December		As at 31 December	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due from associates	*23*	**1,075,479**	798,782	**–**	**–**
Amounts due from joint ventures	*24*	**685,509**	813,599	**–**	**–**
Entrusted loan receivable from a joint venture	*34*	**126,919**	110,728	**–**	**–**
Amounts due from minority owners of subsidiaries	*31*	**36,376**	–	**–**	–
Amounts due from related companies	*30*	**16,256**	15,080	**–**	–
Amounts due to related companies	*36*	**–**	–	**41,752**	–
Amount due to joint venture	*35*	**–**	–	**635,867**	–
Amounts due to minority owners of subsidiaries	*31*	**–**	–	**56,319**	42,714

The Group had not made any provision for bad or doubtful debts in respect of related party debtors.

(c) During the year, 証大置業 and 喜瑪拉雅演藝 entered into the renovation contracts amounted to HK$33,304,000 and HK$775,000 with a related company of which the director is a close member of Mr. Dai. The services have been completed during the year.

(d) 証大投資, a company wholly-owned by Mr. Dai, provided corporate guarantees to the extent of HK$177,688,000 (2012: HK$812,008,000) for a bank loan (Note 37) of the Group as at 31 December 2013.

51. CONTINGENT LIABILITIES

As at 31 December 2013, the Group provided guarantees to the extent of approximately HK$346,715,000 (2012: HK$246,505,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

The Group also shared contingent liabilities of a joint venture arising from guarantees provided by the joint venture to banks to the extent of approximately HK$23,272,000 (2012: HK$Nil) in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the joint venture. These guarantees provided by the Group and the joint venture, to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition.

52. LITIGATION

On 4 June 2012, Shanghai Zendai Land Company Limited ("Shanghai Zendai Land"), a wholly-owned subsidiary of the Company, was served a document of summons issued by Shanghai No. 1 Intermediate People's Court ("the Court") in relation to disputes on asset damage and compensation and breaching of pre-emptive rights in shareholding of Shanghai Haizhimen, the then associate of the Company, initiated by Zhejiang Fosun Commerce Development Limited ("Zhejiang Fosun") (the "Claims").

On 24 April 2013, the Court issued a first instance judgment (the "Judgment") and granted an order to (i) invalidate the agreement on disposal of Shanghai Zendai Wudaokou; (ii) invalidate the share transfer agreement relating to the transfer of the entire equity interests of Shanghai Zendai Wudaokou to an independent third party ("Purchaser"), and, (iii) restate the ownership of Shanghai Zendai Wudaokou within 15 days after the effective date of the Judgment to the state prior to the transfer.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

52. LITIGATION *(Continued)*

On 7 May 2013, an appeal (the "Appeal") was lodged with the Higher People's Court of Shanghai against the Judgment.

The Company's PRC legal advisers have advised that since the Appeal has been duly lodged, the Judgment cannot be enforced and will not become effective pending the results of the Appeal. In addition, the Company's PRC legal advisers consider that the legal grounds on which the Judgment was based are mistaken. Accordingly, the Company's PRC legal advisers are of the view that there are valid grounds for the Appeal and that the Company has a reasonable chance to win the Appeal.

The Directors believe that the disposal of the equity interests of Shanghai Zendai Wudaokou does not constitute a breach of any pre-emptive rights based on the legal advice. As the Judgment will not become effective pending the results of the Appeal, the Directors consider that the Group does not control Shanghai Zendai Wudaokou and therefore it should not be consolidated in the Group's consolidated financial statements. Further, the Directors are of the opinion that is not probable that the Group will incur any loss as a result of the Claims based on the legal advice.

In the event that the Appeal is unsuccessful, the agreement on Wudaokou Disposal and share transfer agreement in relation to the sale of Shanghai Zendai Wudaokou would be invalidated and ownership would revert to the Group. Should this happen, the Group may need to pay back the previously received consideration which amounted to RMB2,860,000,000 (equivalent to HK$3,629,902,000) to the Purchaser. The Group would also obtain control of Shanghai Zendai Wudaokou. Adjustments would need to be made to the consolidated financial statements to recognise the liability, if any, to the Purchaser and to recognise the assets and liabilities of Shanghai Zendai Wudaokou.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

53. COMMITMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Commitments for the property development – contracted for but not provided	**2,407,452**	1,222,797
Commitments for asset acquisition – contracted for but not provided	**838,170**	–

54. PLEDGE OF ASSETS

(a) At the end of reporting period, the carrying amounts of the following assets of the Group were pledged to secure certain bank loans (note 37) and payment guarantees granted to the Group.

	2013	2012
	HK$'000	HK$'000
Property, plant and equipment	**341,852**	343,286
Payment for leasehold land held for own use under operating leases	**617,316**	619,904
Investment properties	**2,473,761**	2,285,078
Properties under development and for sales	**1,118,894**	1,500,587
Pledged bank deposits	**1,571,342**	1,317,421
	6,123,165	6,066,276

(b) At 31 December 2013, the Group pledged certain properties under development and for sales with carrying amount of HK$482,295,000 (2012: Nil) from its joint venture, 文廣証大, for a bank loan of the Group which has not been drawn down as at 31 December 2013.

(c) At 31 December 2012, the Group pledged 45% equity interest in Shanghai Himalayas Real Estate Company Limited, an associate of the Group, with attributable carrying amount of approximately HK$361,505,000 to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), an equity holder of a former associate of the Group, for securing Shanghai Forte's interests in Shanghai Haizhimen. The pledge was released during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

55. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair values of the Group's financial assets and liabilities as defined in note 4(k):

	2013		2012	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial assets				
Loans and receivables	**4,888,749**	**4,888,749**	5,188,877	5,188,877
Available-for-sale financial assets (excluding those assets carried at cost)	**2,665**	**2,665**	2,584	2,584
Financial liabilities				
Financial liabilities measured at amortised cost	**8,351,370**	**8,351,370**	6,449,414	6,449,414

Determination of fair values of financial assets and financial liabilities is set out in note 40.

55. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

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

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

	31 December 2013			31 December 2012		
	Level 1 HK$'000	**Level 3 HK$'000**	**Total HK$'000**	Level 1 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets						
Available-for-sale financial assets						
– Investment funds	**2,639**	**–**	**2,639**	2,584	–	2,584
Financial liabilities						
Financial liabilities measured at fair value						
– Contingent payable for acquisition of a subsidiary *(note)*	**–**	**–**	**–**	–	22,687	22,687

Note:

The contingent consideration is measured at fair value based on the discounted cash flow of the amount of approximately RMB25,000,000 (equivalent to approximately HK$31,410,000) which the Group will settle upon the completion of the development. The management of the Group used its internal budgets and cash flow forecasts which included information about the fair value measurement using significant unobservable inputs (level 3). Upon subsequent re-measurement, fair value changes on contingent payable for acquisition of a subsidiary are included in property under development.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

56. EVENTS AFTER THE REPORTING PERIOD

(a) In November 2013, the Group signed a contract to acquire a real estate project located in Johannesburg, South Africa, with an area of approximately 1,600 hectares, at a total consideration of approximately ZAR1,060,980,000 (equivalent to approximately HK$838,170,000) (the "Transaction"). The Transaction was completed on 20 March 2014. On 14 January 2014, the Company obtained an approval from an ordinary resolution on a special general meeting ("SGM") to the Transaction.

Details of the Transaction were more particularly set out in the announcement of the Company dated 5 November 2013.

(b) The Company had planned to participate in and bid at the tender for the sale shares of an investment holding Target company, the major asset of which comprises the land parcel located in Jiangsu Province, the PRC (the "Tender"). On 5 March 2014, the Company obtained an approval from an ordinary resolution on a SGM to participate in and bid at the Tender. According to the Tender, an refundable earnest money of RMB90,000,000 (equivalent to HK$114,227,000) has been paid.

On 6 March 2014, the Company won the Tender with a consideration of RMB902,300,000 (equivalent to HK$1,145,196,000). The balance of the consideration RMB812,300,000 (equivalent to HK$1,030,969,000), being the consideration after deducting the earnest money paid, has to be paid upon the signed agreement in respect of the Tender becoming effective.

Details of the Tender were more particularly set out in the announcement of the Company dated 17 February 2014 and 6 March 2014.

56. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) On 24 March 2014, the Company entered into an agreement with Power Rider Enterprises Corp. ("Power Rider"), pursuant to which the Company conditionally agreed to sell and Power Rider conditionally agreed to purchase the 20% of the issued share capital of Richtex Holdings Limited ("Richtex Shares"), for a consideration of RMB200,000,000 (equivalent to approximately HK$252,000,000). In connection with the sale and purchase of the Richtex Shares, (i) Power Rider agreed to provide loan to Richtex Holdings Limited in the amount of RMB632.0 million; and (ii) the Company and Power Rider entered into an investor's rights agreement in connection with the management and control of the Richtex Holdings Limited and its subsidiaries and the rights and interests of the Company and Power Rider together as shareholders of Richtex Holdings Limited, as well as the grant of put option to Power Rider under the investor's rights agreement. Details of the transaction are disclosed in the Company's announcement dated 24 March 2014.

(d) On 24 March 2014, the Company entered into an agreement with Wisdom Mind Holdings Corp., pursuant to which Long Profit Company Limited ("Long Profit") conditionally agreed to issue and Wisdom Mind Holdings Corp., conditionally agreed to subscribe the new shares of Long Profit, representing 20% of the issued share capital of Long Profit as enlarged by the allotment and issue of the new shares, for a consideration of HK$20. In connection with the subscription of the new shares, (i) Wisdom Mind Holdings Corp., agreed to provide a loan in the amount of RMB850 million (equivalent to approximately HK$1,071.0 million) to Long Profit; (ii) an indirect wholly-owned subsidiary of the Company agreed to provide a loan in the amount of RMB950 million (equivalent to approximately HK$1,197.0 million) to Long Profit; and (iii) an indirect wholly-owned subsidiary of the Company, Long Profit and Wisdom Mind Holdings Corp., entered into an investor's rights agreement in connection of the management and control of Long Profit and the rights and interests of an indicate wholly-owned subsidiary of the Company and Wisdom Mind Holdings Corp., together as shareholders of Long Profit. Details of the transaction are disclosed in the Company's announcement dated 24 March 2014.

57. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2013

The following table summarises the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**2,227,663**	1,122,891	2,796,296	3,959,091	2,162,092
(Loss)/Profit before tax expenses	**(71,246)**	872,607	953,820	1,149,671	837,454
Tax credit/(expenses)	**151,153**	(316,843)	(505,606)	(582,044)	(387,133)
Profit for the year	**79,907**	555,764	448,214	567,627	450,321

ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**17,791,114**	15,860,679	27,832,663	22,619,546	9,718,013
Total liabilities	**(11,160,154)**	(10,060,844)	(22,019,738)	(17,492,812)	(5,933,790)
Non-controlling interests	**(404,811)**	(204,164)	(263,495)	(196,305)	(192,387)
Balance of shareholders' funds	**6,226,149**	5,595,671	5,549,430	4,930,429	3,591,836