



明发集团
MINGFA GROUP

Mingfa Group (International) Company Limited

明發集團（國際）有限公司

(incorporated in the Cayman Islands with limited liability) Stock code : 846

2014 Interim Report







CONTENTS

Corporate Information	02
Financial Highlights	04
Management Discussion and Analysis	05
Additional Information Required by the Listing Rules	21
Condensed Consolidated Interim Financial Statements	
• Condensed Consolidated Balance Sheet	31
• Condensed Consolidated Income Statement	33
• Condensed Consolidated Statement of Comprehensive Income	34
• Condensed Consolidated Statement of Changes in Equity	35
• Condensed Consolidated Cash Flow Statement	36
• Notes to the Condensed Consolidated Interim Financial Statements	37

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Wun Ming (*Chairman*)
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui

Independent Non-Executive Directors

Mr. Dai Yiyi
Mr. Qu Wenzhou
Mr. Lau Kin Hon

COMPANY SECRETARY

Mr. Poon Wing Chuen (*FCCA*)

AUDIT COMMITTEE

Mr. Qu Wenzhou
(*chairperson of the committee*)
Mr. Dai Yiyi
Mr. Lau Kin Hon

NOMINATION COMMITTEE

Mr. Dai Yiyi (*chairperson of the committee*)
Mr. Qu Wenzhou
Mr. Lau Kin Hon

REMUNERATION COMMITTEE

Mr. Qu Wenzhou
(*chairperson of the committee*)
Mr. Dai Yiyi
Mr. Lau Kin Hon

AUTHORISED REPRESENTATIVES

Mr. Wong Wun Ming
Mr. Poon Wing Chuen (*FCCA*)

REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited
Floor 4, Willow House
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Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

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Pukou, Nanjing City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tsim Sha Tsui
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Hong Kong

COMPANY'S WEBSITE

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STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED (MAIN BOARD)

846

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Services Limited
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Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Paul Hastings
21–22/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
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PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
2402, Admiralty Centre 1
18 Harcourt Road
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Financial Highlights

	Unaudited For the six months ended 30 June		
	2014	2013	Percentage of increase/ (decrease)
Revenue (RMB'million)	1,525.5	2,886.2	(47.1%)
Profit attributable to equity holders of the Company (RMB'million)	352.7	510.3	(30.9%)
Basic earnings per share (RMB cents)	5.8	8.4	(31.0%)
Diluted earnings per share (RMB cents)	5.3	7.0	(24.3%)
Interim dividend per share (HK cents)	Nil	Nil	

The Board of Directors (the “**Board**”) of Mingfa Group (International) Company Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014 together with comparative amounts for the corresponding period in 2013.

Management Discussion and Analysis

The unaudited consolidated revenue of the Group decreased by 47.1% to approximately RMB1,525.5 million (corresponding period in 2013: approximately RMB2,886.2 million) for the six months ended 30 June 2014. During the period under review, the unaudited consolidated profit attributable to equity holders of the Company was approximately RMB352.7 million (corresponding period in 2013: approximately RMB510.3 million), representing a decrease of 30.9% from the corresponding period in 2013. The unaudited basic and diluted earnings per share were RMB5.8 cents and RMB5.3 cents respectively for the six months ended 30 June 2014, representing a decrease of 31.0% and 24.3% respectively compared to the corresponding period in 2013.

The Board does not recommend payment of interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

INDUSTRY REVIEW

The previous year has been fruitful for the industry and set a high base for its performance in 2014. The spike in demand and transactions started to slow down entering the first quarter of 2014. Both sales volume and selling prices dropped in part due to restrictions on mortgage loans and rising inventory. In addition, market sentiment deteriorated and investors hesitated because of downside expectations, unanticipated depreciation in the RMB and a vague US quantitative easing schedule, as well as uncertainties in the timing of raising interest rates.

The growth rate of contracted sales decelerated in the first half of 2014. Supply conditions and property price levels continued to polarize in first tier and lower tier cities. The overall real estate sector in the PRC was lackluster and faced challenges to alleviate risk of potential illiquidity. Disruption in cash flow and rising offshore funding costs were particularly harmful to highly leveraged property developers. To improve liquidity and generate inflow, the prevailing supply glut caused developers to reduce inventory by adjustment of sales and marketing strategies. Subsequently, prices were cut for properties in some cities to maintain cash flow and sales began to pick up afterwards as a result. Yet, the extent of price cutting appeared to be strictly controlled in order to avoid a sharp decline in general property price levels and minimize market turbulence.

In the meantime, the market was expecting an easing of housing policy restrictions which might serve as a positive catalyst to the industry. A number of cities have been refining the local housing policy restrictions, adhering to the basic principles of supporting first-time home purchasers and curbing speculative demand. Overall, fundamental demand in properties stayed strong in the market and with revenue realized from sales of previous periods, the industry managed to make it through the downtrend, underlining the importance of liquidity for developers to weather the difficult conditions.

Management Discussion and Analysis

BUSINESS REVIEW

Sales and Earnings

The unaudited consolidated revenue for the six months ended 30 June 2014 was approximately RMB1,525.5 million (corresponding period in 2013: approximately RMB2,886.2 million), representing a decrease of 47.1%. The decrease was due to less gross floor area (“**GFA**”) had been delivered to the buyers for the six months ended 30 June 2014 as compared to the corresponding period in 2013.

The unaudited consolidated gross profit for the six months ended 30 June 2014 was approximately RMB605.8 million (corresponding period in 2013: approximately RMB1,053.5 million), representing a decrease of 42.5%. The gross profit decreased in line with the reduced revenue which was mainly due to less GFA had been delivered to the buyers for the six months ended 30 June 2014 as compared to the corresponding period in 2013.

The unaudited consolidated profit attributable to the equity holders of the Company for the six months ended 30 June 2014 was approximately RMB352.7 million (corresponding period in 2013: approximately RMB510.3 million), representing a decrease of 30.9% from the corresponding period in 2013. The change was mainly due to the decrease in gross profit of approximately RMB447.7 million for the six months ended 30 June 2014 which was arisen from the decrease in property delivery.

Regarding the recognised sales for the six months ended 30 June 2014, the average sales price (“**ASP**”) per square metre (“**sq.m.**”) achieved by the Group was RMB8,237.7, representing a decrease of 8.0% from RMB8,955.7 per sq.m. for the corresponding period in 2013. Such drop was due to the change in product mix. In addition, the GFA sold and delivered for the six months ended 30 June 2014 was 159,809 sq.m., representing a decrease of 47.4%, from 304,004 sq.m. for the corresponding period in 2013.

In the first half of 2014, the Group has achieved contracted sales of RMB991.6 million (corresponding period in 2013: approximately RMB2,546.2 million). The ASP for the contracted sales has decreased by 9.8% to RMB6,613.4 per sq.m. during the period under review (corresponding period in 2013: approximately RMB7,330.0 per sq.m.).

Management Discussion and Analysis

Segment Information

Turnover generated from various segments are analyzed as follows:

For the six months ended	Commercial Properties RMB' million	Residential Properties RMB' million	Property Investment and Management	Hotel RMB' million	Total RMB' million
			RMB' million		
30 June 2014	372.9	943.6	159.0	50.0	1,525.5
30 June 2013	647.5	2,075.1	130.0	33.6	2,886.2

The change in turnover generated from commercial and residential properties was mainly due to less GFA was delivered for the six months ended 30 June 2014 as compared to the corresponding period in 2013.

Management Discussion and Analysis

Pre-sold Properties

As at 30 June 2014, the GFA of pre-sold properties not yet delivered to the buyers was 511,810 sq.m. (approximately 549,434 sq.m. as at 31 December 2013). Set out below are the details of the properties, the Group's interest and the attributable GFA pre-sold by the Group:

City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Beijing	Beijing Mingfa Mall	100%	67,087
Hefei	Hefei Mingfa Shopping Mall	100%	25,146
Honglai	Honglai Mingfa Commercial Centre	100%	5,378
Huai'an	Huai'an Mingfa Shopping Mall	100%	28,315
Nanjing	Nanjing Mingfa City Square	100%	7,579
Nanjing	Nanjing Mingfa Pearl Spring Resort	100%	6,508
Nanjing	Nanjing Mingfa Riverside New Town	100%	19,141
Nanjing	Nanjing Mingfa Shopping Mall	100%	1,368
Shenyang	Shenyang Mingfa Jinxiuhwa City	100%	75,738
Taizhou	Taizhou Mingfa City Complex	100%	55,688
Wuxi	Wuxi Mingfa International New Town	100%	97,157
Wuxi	Wuxi Mingfa Shopping Mall	70%	3,079
Xiamen	Xiamen Mingfa Harbour Resort	100%	4,610
Xiamen	Xiamen Mingfa Shopping Mall	70%	13,582
Xiamen	Xiamen Mingfa Xiang Wan Peninsula	100%	8,113
Yangzhou	Yangzhou Mingfa Jiangwan City	100%	56,393
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	1,221
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	12,726
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	9,185
Zhenjiang	Zhenjiang Jinxiu Yishan	100%	8,590
Others			5,206
			511,810

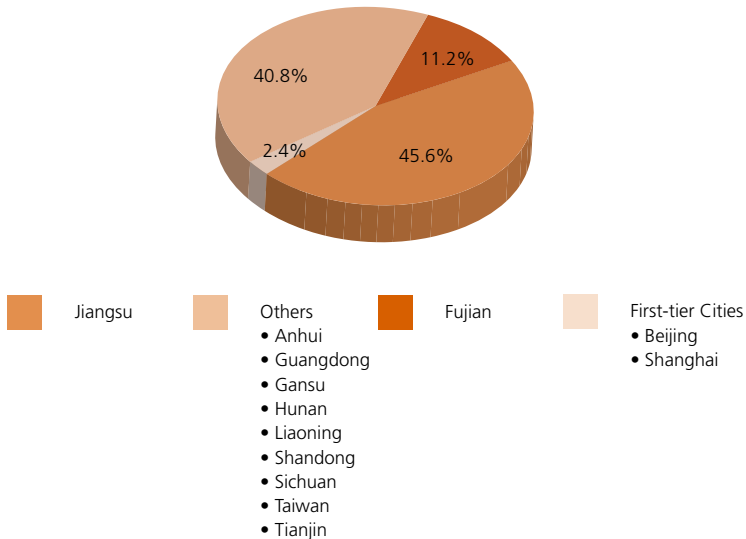
Management Discussion and Analysis

Summary of Land Bank

As at 30 June 2014, land bank of the Group increased by 15.0% to approximately 12.3 million sq.m. (approximately 10.7 million sq.m. as at 31 December 2013), consisting of 50 projects (44 projects as at 31 December 2013) in total.

	No. of Projects	Attributable GFA <i>(million sq.m.)</i>
Completed projects	18	1.7
Projects under development	17	6.4
Projects for future development	15	4.2
Total	50	12.3

Total Land Bank by Location as at 30 June 2014



Management Discussion and Analysis

The following table summarizes the details of the Group's land bank:

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Approximate Leasable and Saleable		Group's Interest	Attributable GFA
					Site Area (sq.m.) (Note 3)	GFA (sq.m.) (Note 4)		
Completed properties (held for sale/leasing) (Note 1)								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming District, Xiamen, Fujian Province	Dec/2004	Residential/Commercial/ Office	Completed	18,247	478	100%	478
Xiamen Mingfa Noble Place	Located at Jiangtuo Residential, Huli District, Xiamen, Fujian Province	Dec/2004	Residential/Commercial/ Office	Completed	5,529	1,672	100%	1,672
Xiamen Mingfa Garden	Located at Huanhuli South, Lvlng Road, Siming District, Xiamen, Fujian Province	Apr/2005	Residential/Commercial	Completed	18,697	15,094	100%	15,094
Xiamen Jianqun Elegant Garden	Located at the north of Qianpu Lianqian East Road, Huli District, Xiamen, Fujian Province	Apr/2005	Residential/Office	Completed	10,257	1,524	100%	1,524
Xiamen Mingfa International New Town	Located at the south of Qianpu Lianqian Road, Siming District, Xiamen, Fujian Province	Feb/2002	Residential/Commercial/ Office	Completed	26,016	10,686	100%	10,686
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Oct/2007	Commercial/Office/ Hotel	Completed	166,775	35,754	70%	25,028
Xiamen Mingfa Town	Located at Lvlng Road, Siming Industrial Park, Siming District, Xiamen, Fujian Province	Jan/2008	Residential/Commercial	Completed	12,879	15,397	100%	15,397
Nanjing Mingfa Pearl Spring Resort	Located in Pearl Spring Resort, Pukou District, Nanjing, Jiangsu Province	Dec/2008	Residential/Hotel	Completed	112,973	29,779	100%	29,779
Nanjing Mingfa Riverside New Town	Located in Taishan Village, Pukou District, Nanjing, Jiangsu Province	Nov/2009	Residential/Commercial	Completed	1,072,182	112,335	100%	112,335
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road, Yuhuatai District, Nanjing, Jiangsu Province	Dec/2010	Commercial/Office/ Hotel	Completed	182,588	112,186	100%	112,186
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtuo Village, Yangqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2011	Residential/Commercial/ Hotel	Completed	216,643	437,840	70%	306,488

Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate	Group's	Attributable
						Leasable and Saleable GFA (sq.m.) (Note 4)		
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Dec/2011	Residential/Commercial/ Office/Hotel	Completed	176,698	208,042	100%	208,042
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Dec/2011	Residential/Commercial/ Hotel	Completed	145,267	234,737	100%	234,737
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec/2012	Residential/Commercial/ Office	Completed	128,683	96,913	100%	96,913
Honglai Mingfa Commercial Centre	Located at Honglai District, Nanan, Fujian Province	Jun/2012	Residential/Commercial	Completed	27,065	18,966	100%	18,966
Xiamen Mingfa Xiang Wan Peninsula	Located at the eastern part of Xiang'an Road, Xiang'an, Fujian Province	Dec/2012	Residential/Commercial	Completed	104,380	40,926	100%	40,926
Zhangzhou Mingfa Shopping Mall	Located at the east of Longjiang Road, north of Shuixian Street, west of No.6 Road, south of Xipu Road, Zhangzhou, Fujian Province	Dec/2013	Residential/Commercial/ Office/Hotel	Completed	223,589	259,679	100%	259,679
Xiamen Mingfa Harbour Resort	Located at the south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Dec/2013	Hotel	Completed	58,952	161,705	100%	161,705
Sub-total					2,707,420	1,793,713		1,651,635

Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Approximate Leasable and Attributable			
					Site Area (sq.m.) (Note 3)	Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties under development (Note 2)								
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec/2015	Residential/ Commercial/ Hotel	Completion certificate had been granted for GFA of 108,277 sq.m. in December 2013. The remaining GFA of 296,401 sq.m. will be completed in December 2015	296,702	319,493	100%	319,493
Huai'an Mingfa Shopping Mall (Block A)	Located at Shenzhen South Road, Huai'an, Jiangsu Province	Dec/2014	Commercial	Approximately 60% of construction has been completed	133,110	266,335	100%	266,335
Huai'an Mingfa Shopping Mall (Block C)	Located at Weihai East Road, Huai'an, Jiangsu Province	Dec/2015	Residential	Completion certificate had been granted for GFA of 86,022 sq.m. in December 2013. The remaining GFA of 68,014 sq.m. will be completed in December 2015	51,345	84,256	100%	84,256
Shenyang Mingfa Jinxihwa City	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2014	Residential/ Commercial	Approximately 80% of construction has been completed	61,222	306,110	100%	306,110
Wuxi Mingfa International New Town	Located at the south of Yangqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2014	Residential/ Commercial	Completion certificate had been granted for GFA of 221,630 sq.m. in December 2012. The remaining GFA of 327,931 sq.m. will be completed in December 2014	258,297	367,523	100%	367,523
Yangzhou Mingfa Jiangwan City	Located at the east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province	Dec/2014	Residential	Approximately 80% of construction has been completed	158,238	221,533	100%	221,533

Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Approximate Leasable and			
					Site Area (sq.m.) (Note 3)	Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Quanzhou Mingfa Huachang International Town	Located in Guangqiao Town, Neicuo Village, Nanan, Fujian Province	Dec/2015	Commercial	Approximately 50% of construction has been completed	276,120	698,507	50%	349,253
Taizhou Mingfa City Complex	Located at the west of Machang Zhonggou, south of Huangang Avenue, Gaogang District, Taizhou, Jiangsu Province	Dec/2015	Residential/ Commercial	Completion certificate had been granted for GFA of 40,930 sq.m. in December 2013. The remaining GFA of 690,370 sq.m. will be completed in December 2015	292,487	695,890	100%	695,890
Zhangzhou Longhai Mingfa Mall	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province	Dec/2015	Residential/ Commercial	Approximately 80% of construction has been completed	32,163	277,762	100%	277,762
Nanjing Mingfa Business Park	Located in Nanjing High-Tech Development Zone, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Industrial	Approximately 35% of construction has been completed	520,122	1,560,366	100%	1,560,366
Beijing Mingfa Mall	Located in Beizang Village, Daxing District, Beijing	Dec/2015	Residential/ Commercial	Approximately 80% of construction has been completed	45,414	127,159	100%	127,159
Shanghai Mingfa Shopping Mall	Located at the east of Hu Yi Highway, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai	Dec/2015	Commercial	Approximately 20% of construction has been completed	53,779	169,305	100%	169,305
Pingliang Mingfa European city	Located at the west of Water Bridge, north of Linjing Road, Kongdong District, Pingliang, Gansu Province	Dec/2015	Residential	Approximately 40% of construction has been completed	117,594	268,259	60%	160,955
Nanjing Mingfa Zhihui City (Phase 1 C2)	Located at the west of Software Park, Gaoxin District, Nanjing, Jiangsu Province	Dec/2015	Office	Vacant	11,244	85,052	90%	76,547
Nanjing Mingfa Zhihui City (Phase 2 A1)	Located at the west of Software Park, Gaoxin District, Nanjing, Jiangsu Province	Dec/2015	Office	Vacant	12,097	82,126	90%	73,913
Nanjing Mingfa New City Finance Building	Located at the north of New Town Business Avenue, Pukou District, Nanjing, Jiangsu Province	Jun/2016	Residential/ Commercial	Vacant	59,042	401,297	100%	401,297

Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Approximate Leasable and Attributable			
					Site Area (sq.m.) (Note 3)	Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Dec/2016	Residential/ Commercial	Vacant	285,594	928,837	100%	928,837
Sub-total					2,664,570	6,859,810		6,386,534
Properties with land use rights certificate for future development								
Huizhou Mingfa Gaobang New City	Huizhou City West Train Station, Guangdong Province	Dec/2015	Residential	Vacant	332,335	708,157	80%	566,526
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou District, Nanjing, Jiangsu Province	Dec/2015	Industrial	Vacant	41,434	103,585	100%	103,585
Lanzhou Mingfa Zhongke Ecological Park	Located in Weijia Village of Southwest region, Gansu Province	Dec/2015	Residential/ Commercial	Vacant	1,371,786	1,371,786	51%	699,611
Tianjin Binhai Mingfa Shopping Mall	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2015	Commercial	Vacant	209,048	418,096	100%	418,096
Nanjing Mingfa Wealth Center	Located in New City Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Commercial/ Office	Vacant	56,694	283,470	100%	283,470
Sub-total					2,011,297	2,885,094		2,071,288

Management Discussion and Analysis

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Approximate Leasable and Attributable			
					Site Area (sq.m.) (Note 3)	Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties with signed land use rights contract for future development								
Xiamen Mingfeng Town	Located at Lingdou, Siming District, Xiamen, Fujian Province	Dec/2015	Industrial	Vacant	19,909	103,921	100%	103,921
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2015	Residential/ Commercial	Vacant	154,024	462,072	100%	462,072
Hong Six Highway rebuilding property	Located in Xixia Village, Honglai Town, Nanan, Fujian Province	Dec/2015	Residential/ Commercial	Vacant	22,784	92,298	100%	92,298
Shandong Zibo World Trade Center	Located at the north of People's Road and east of Shanghai Road, Zhangdian District, Zibo, Shandong Province	Dec/2016	Residential/ Commercial	Vacant	147,371	618,958	100%	618,958
New property in Nanjing Pukou	Located at the south of and along the mountain road, east of Caiba Road East, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Residential	Vacant	115,876	185,402	100%	185,402
Taiwan Taoyuan 54 Block	Located in Air Passenger Park, Taoyuan, Taiwan	Dec/2016	Commercial	Vacant	13,710	32,905	40%	13,162
Taiwan Taoyuan 169 Block	Located in Air Passenger Park, Taoyuan, Taiwan	Dec/2016	Commercial	Vacant	16,110	38,663	40%	15,465
Nanjing Zhongrui G08 Block	Located at the south of and along the mountain road, Jiangpu Street, Nanjing, Jiangsu Province	Dec/2016	Residential	Vacant	32,787	59,016	100%	59,016
Guang'an Mingfa City Complex Project (GC2013-45 Block)	Located in Bridge Group, Guang'an, Sichuan Province	Dec/2016	Residential/ Commercial	Vacant	76,153	304,612	100%	304,612
Guang'an Mingfa City Complex Project (ChaMa Road B1-1 Block)	Located on Binjiang Road, Guang'an District, Sichuan Province	Dec/2016	Residential/ Commercial	Vacant	76,363	305,452	100%	305,452
Sub-total					675,087	2,203,299		2,160,358
Total land bank					8,058,374	13,741,916		12,269,815

Management Discussion and Analysis

Notes:

1. Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates have been obtained as at 30 June 2014.
2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works and (b) the land use rights certificates have been obtained as at 30 June 2014.
3. The site area is in respect of the whole property (regardless of GFA that have been sold).
4. The approximate leasable and saleable GFA have excluded the GFA that have been sold/leased.

Summary of Properties held by the Group for Investment

The following table summarizes the details of the Group's major properties held for investment:

Property	Location	Existing Usage	Attributable GFA (sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiawei Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Commercial	103,096	8–20 years	70%–100%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai District, Nanjing, Jiangsu Province	Commercial	135,436	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an District, Xiamen, Fujian Province	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan Village, Pukou District, Nanjing, Jiangsu Province	Commercial	4,121	3–9 years	100%
Xiamen Mingfa Hotel	Located at No.413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No.2 Honglian Road West, Siming District, Xiamen, Fujian Province	Industrial	11,588	8–15 years	100%

Management Discussion and Analysis

Property	Location	Existing Usage	Attributable GFA (sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
Xiamen Lianfeng Furniture Park	Located on Honglian Road, Siming District, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at the east of Longjiang Road, north of Shuixian Street, west of No.6 Road, south of Xinpu Road, Zhangzhou, Fujian Province	Commercial	112,416	10–15 years	100%
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Industrial	234,481	3 years	51%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	4,687	15–20 years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Commercial	131,248	15–20 years	100%
Quanzhou Mingfa Hotel	Located in Jiangnan Torch Village, Licheng District, Quanzhou, Fujian Province	Hotel	13,707	5 years	100%
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Commercial	44,869	15 years	100%
Tianjin Binhai Mingfa Shopping Mall	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Commercial	62,631	Under construction	100%
Changsha Wancheng District Binshui New Town Commercial Centre property	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Commercial	70,742	Under construction	100%
			1,028,198		

Management Discussion and Analysis

ACQUISITION FRAMEWORK AGREEMENTS

As at 30 June 2014, the Group had entered into 11 memoranda of understanding (the "MOU(s)") with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. All MOUs were signed in or before 2013. These MOUs are not legally-binding and there is no assurance that the Group will be granted with the land use rights after signing of the MOUs. On the contrary, the MOUs only set out the parties' intention of cooperation in future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use rights from the PRC governmental authorities for such lands. Notwithstanding that, the Company considers these as opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run. Summary of these MOUs and the related projects are listed as follows:

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	Note
Huai'an Mingfa International Industrial Material Park and Mingfa International Town (淮安明發國際工業原料城和明發國際城)	Huai'an City, Jiangsu Province	28-Nov-07	666,670	1,180,219	(1)
Tianjin Jingjin Mingfa International Town (天津京津明發國際城)	Tianjin City	6-Dec-09	1,533,341	3,000,000	
Shenyang Creative Park (瀋陽創意產業園)	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000	(2)
Shenyang Residential and Commercial Complex Project (瀋陽商住項目)	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000	(3)
Panjin Mingfa City Square (盤錦明發城市廣場)	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996	
Jiangsu Taizhou Mingfa City Complex Project (江蘇泰州明發城市綜合體項目)	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685	(4)
Shenyang Mingfa Integrated Science and Technology Park (瀋陽明發綜合科技園)	Shenyang City, Liaoning Province	23-Sep-11	1,344,007	1,830,000	
Nanjing Software Park Starting Area Project (南京軟件園啟動區項目)	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	

Management Discussion and Analysis

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	Note
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project (南京紫金(浦口)科技創業特別社區2#地塊項目)	Nanjing City, Jiangsu Province	9-Oct-12	200,001	800,000	
Nanjing Software Valley Technology City Project (南京軟件谷科技城項目)	Nanjing City, Jiangsu Province	6-Dec-12	106,667	373,335	(5)
Anhui Hexian Wujiang New Town (安徽和縣明發烏江新城)	Maanshan City, Anhui Province	28-Apr-13	2,000,010	7,000,035	
Total			9,019,508	22,646,270	

Notes:

- (1) The Group had acquired three plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Weihai East Road, Shenzhen South Road, and east of Guangzhou Road respectively in Huai'an. Total land area and GFA is approximately 184,455 sq.m. and approximately 420,370 sq.m. respectively.
- (2) The Group had acquired one plot of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 154,024 sq.m. and approximately 462,072 sq.m. respectively.
- (3) The Group had acquired two plots of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 61,222 sq.m. and approximately 306,110 sq.m. respectively.
- (4) The Group had acquired two plots of land in 2011 under the MOU signed on 22 December 2010. One plot of the land is located at west of Machang Zhonggou and south of Huangang Avenue in Taizhou and the other is located at east of Diaodong Zhonggou and south of Huangang Avenue in Taizhou. Total land area and GFA is approximately 292,487 sq.m. and approximately 731,300 sq.m. respectively.
- (5) The Group had acquired one plot of land under the MOU signed on 6 December 2012. The land is located at west of Software Park, Gaoxin District, Nanjing, Jiangsu Province. Total land area and GFA is approximately 11,244 sq.m. and approximately 67,465 sq.m. respectively.

Save as disclosed in this report, there has been no material change in respect of the business of the Group since the publication of the latest annual report of the Company.

Management Discussion and Analysis

PROSPECTS AND OUTLOOK

The Group managed to maintain its sound foundation with a diversified and balanced portfolio mix during the softening property market. The Group maintained a balanced proportion of residential and commercial properties in its land bank, accounting for 40.9% and 33.4% respectively as at 30 June 2014. To ensure stable income stream, revenues from property sales will be generated by more than 20 projects avoiding over-reliance on any particular project. Allocating part of the Group's shopping mall portfolio as investment properties provides a regular revenue stream as rental income and property management fees which amounted to approximately RMB159.0 million in total during the first half of 2014, representing an increase of 22.3% as compared to the corresponding period in 2013. The Group is expecting this source of income to grow steadily.

By applying a coherent and prudent land acquisition strategy, the Group is enriching its land bank at a reasonable cost and locating land parcels with high potential. Land reserve of the Group has been increased by 15.0% from attributable GFA of approximately 10.7 million sq.m. as at 31 December 2013 to approximately 12.3 million sq.m. as at 30 June 2014. Such land reserves will be sufficient for anticipated growth in five to six years.

In regards to refinancing, in January 2014 the Group has completely redeemed the convertible bonds due 2015, which was a private issuance to Warburg Pincus in 2010, of approximately HK\$1.72 billion by internal resources and bank loans. With the majority of bank loans in the Group's debt profile as opposed to funding from capital markets, such debt structure enables the Group to finance projects in a more efficient and cost-effective way.

As a mature developer with a long history, the Group has been selected and included under MSCI China Index as a MSCI Global Small Cap Index constituent since May 2014. This is an indication that the Group's performance has been positively recognized in the respective markets. Riding on the Group's existing advantages and expectation of a more affirmative housing policy across different cities in the PRC, the Group's outlook towards the real estate industry remains positive and it firmly believes that the industry is one of the most important pillars of the national economy.

Additional Information Required by the Listing Rules

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2014, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 30 June 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), are listed as follows:

The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares ^(Note 1)	Approximate Percentage of Interest in the Company
Mr. Wong Wun Ming	Beneficial owner	13,500,000 shares (L)	0.22%
Mr. Wong Wun Ming ^(Notes 2, 3)	Interest of a controlled corporation	5,086,500,000 shares (L)	83.47%

Notes:

- (1) The letter “L” denotes a long position in the shares or underlying shares.
- (2) The disclosed interest represents the interest in the Company held by Galaxy Earnest Limited. Galaxy Earnest Limited is wholly-owned by Growing Group Limited, Gainday Holdings Limited, Tin Sun Holdings Limited and Better Luck Group Limited in the respective proportions of 55%, 15%, 15% and 15%. As such, pursuant to the SFO, Growing Group Limited is deemed to have the same interest in the Company in which Galaxy Earnest Limited is currently interested. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited and therefore he is deemed to be interested in these shares of the Company pursuant to the SFO.
- (3) The Company refiled certain Disclosure of Interest Forms (“**DI Forms**”) on 12 August 2014 to correct the inaccurate disclosure made on the Stock Exchange website (<http://www.hkexnews.hk/di/di.htm>) and in the 2012 and 2013 interim reports and annual reports of the Company, all the shares involved are in long positions, none of them are in short positions.

Additional Information Required by the Listing Rules

Associated Corporation — Galaxy Earnest Limited:

Name of Director	Nature of Interest	Total Number of Ordinary Shares in the Associated Corporation	Approximate Percentage of Interest in the Associated Corporation
Mr. Wong Wun Ming	Interest of a controlled corporation <i>(Note 1)</i>	6,050 shares	55.00%
Mr. Huang Qingzhu	Interest of a controlled corporation <i>(Note 2)</i>	1,650 shares	15.00%
Mr. Huang Lianchun	Interest of a controlled corporation <i>(Note 3)</i>	1,650 shares	15.00%
Mr. Huang Li Shui	Interest of a controlled corporation <i>(Note 4)</i>	1,650 shares	15.00%

Notes:

- (1) The disclosed interest represents the interest in the associated corporation held by Growing Group Limited, a company which is directly wholly-owned by Mr. Wong Wun Ming.
- (2) The disclosed interest represents the interest in the associated corporation held by Gainday Holdings Limited, a company which is directly wholly-owned by Mr. Huang Qingzhu.
- (3) The disclosed interest represents the interest in the associated corporation held by Tin Sun Holdings Limited, a company which is directly wholly-owned by Mr. Huang Lianchun.
- (4) The disclosed interest represents the interest in the associated corporation held by Better Luck Group Limited, a company which is directly wholly-owned by Mr. Huang Li Shui.

Save as disclosed above, as at 30 June 2014, none of the directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code.

Additional Information Required by the Listing Rules

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 30 June 2014, the interests or short positions of those persons, other than directors or chief executives of the Company, in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are listed as follows:

Name	Nature of Interest	Total Number of Ordinary Shares <small>(Note 1)</small>	Approximate Percentage of Interest in the Company
Ms. Chen Bihua <small>(Notes 2,5)</small>	Interest of spouse	5,086,500,000 shares (L)	83.47%
Central Huijin Investment Ltd <small>(Note 3)</small>	Interest of a controlled corporation	587,915,000 shares (L)	9.65%
中國信達資產管理 股份有限公司 (China Cinda Asset Management Co., Limited) <small>(Notes 3,4)</small>	Interest of a controlled corporation	1,246,094,000 shares (L)	20.45%

Notes:

- (1) The letter "L" denotes a long position in the shares or underlying shares.
- (2) Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and therefore, pursuant to the SFO, is deemed to be interested in these shares of the Company in which Mr. Wong Wun Ming is deemed to be interested and vice versa. Both Mr. Wong Wun Ming and Ms. Chen Bihua, our controlling Shareholders, have pledged (i) an aggregate of 1,246,094,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 20.45% of the total issued share capital of the Company, to the note holders as mentioned in Note (3) and Note (4) below, and (ii) an aggregate of 300,000,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 4.92% of the total issued share capital of the Company, to Haitong International Finance Company Limited pursuant to a facility agreement signed in May 2013.
- (3) Central Huijin Investment Ltd. and 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) are both deemed to be interested in 587,915,000 shares in which Cinda International Securities Limited held as security agent for three note holders pursuant to a share charge executed in May 2012 by Galaxy Earnest Limited in favour of Cinda International Securities Limited involving 587,915,000 shares of the Company.

Additional Information Required by the Listing Rules

- (4) 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) is deemed to be interested in 658,179,000 shares in which Cinda International Securities Limited held as security agent for twelve note holders pursuant to a share charge executed in December 2013 by Galaxy Earnest Limited in favour of Cinda International Securities Limited involving 658,179,000 shares of the Company.
- (5) The Company refiled certain DI Forms on 12 August 2014 to correct the inaccurate disclosure made on the Stock Exchange website (<http://www.hkexnews.hk/di/di.htm>) and in the 2012 and 2013 interim reports and annual reports of the Company, all the shares involved are in long positions, none of them are in short positions.

Save as disclosed above, as at 30 June 2014, no person, other than directors or chief executives of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company ("**Share Option Scheme**"). As at 30 June 2014, no option has been granted under the Share Option Scheme.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2014, the Group employed 2,557 staff (31 December 2013: 2,445 staff). The increase in staff was mainly due to more staff were recruited for new project companies. For the six months ended 30 June 2014, the unaudited total staff costs of the Group including directors' emoluments were approximately RMB102.4 million (corresponding period in 2013: approximately RMB87.8 million), representing an increase of 16.6%. The increase was due to the increase in number of staff during the period under review, and annual salary increment for 2014. The staff costs include basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, training and pregnancy insurance plan. The Group provided various training opportunities to employees in order to enhance the competitiveness of the employees and the Company, including training from PRC Financial Centre for accounting teams and other training in relation to the latest group reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review on the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering the grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the employment market.

Additional Information Required by the Listing Rules

DIVIDEND POLICY

The Board shall determine the dividend policy of the Company in future according to the financial condition in general, operating results, capital requirements, shareholders' equity, contractual restraints and other factors considered relevant by the Board.

CAPITAL STRUCTURE

As at 30 June 2014, the Group had aggregate cash and cash equivalents (excluding restricted cash) of approximately RMB643.2 million (31 December 2013: approximately RMB971.2 million). Bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB7,110.1 million and RMB3,939.0 million respectively (31 December 2013: approximately RMB6,609.7 million and RMB2,031.7 million respectively).

The unaudited consolidated interest expenses including the capitalized finance costs for the six months ended 30 June 2014 amounted to approximately RMB439.1 million (corresponding period in 2013: approximately RMB438.1 million) in total. In addition, for the six months ended 30 June 2014, interests with an unaudited amount of approximately RMB395.3 million (corresponding period in 2013: approximately RMB308.5 million) were capitalized. Interest cover (including amount of interests capitalized) was 1.6 times (corresponding period in 2013: 2.5 times).

Set out below are the major ratios of the Group:

	As at 30 June 2014	As at 30 June 2013
Gross profit margin	39.7%	36.5%
Operating profit margin	45.2%	37.3%
Net profit margin	23.0%	17.4%

	As at 30 June 2014	As at 31 December 2013
Current ratio	1.20	1.16
Total liabilities to total assets	70.4%	68.2%
Bank loans and other borrowings to shareholders' funds	104.1%	84.3%
Non-current bank loans and other borrowings to total assets	10.1%	5.7%
Gearing ratio	47.3%	40.7%

Additional Information Required by the Listing Rules

CAPITAL COMMITMENTS

As at 30 June 2014, the contracted capital commitments of the Group were approximately RMB7,482.7 million (31 December 2013: approximately RMB5,459.2 million), which were mainly the capital commitments for property development and acquisition of the project companies. It is expected that the Group will finance such commitments from internally generated funds and resources.

PLEDGE OF ASSETS

As at 30 June 2014, investment properties of the Group with net book value of approximately RMB5,962.3 million (31 December 2013: approximately RMB3,850.0 million), buildings of approximately RMB570.7 million (31 December 2013: approximately RMB315.6 million), land use rights of approximately RMB2,760.6 million (31 December 2013: approximately RMB2,572.4 million), completed properties held for sales of approximately RMB2,774.8 million (31 December 2013: approximately RMB1,115.6 million), properties under development of approximately RMB984.8 million (31 December 2013: approximately RMB498.1 million) and restricted bank deposits of approximately RMB2,441.6 million (31 December 2013: approximately RMB1,118.0 million) were pledged to secure the banking facilities of the Group. Cash deposits of approximately RMB78.2 million (31 December 2013: approximately RMB10.5 million) were restricted and deposited in certain banks as security for bank notes.

GUARANTEES AND CONTINGENT LIABILITIES

As at 30 June 2014, the contingent liabilities of the Group was approximately RMB4,698.3 million (31 December 2013: approximately RMB4,147.6 million), which was mainly the guarantees given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following the completion of transfer of property title by the Group to buyers.

FOREIGN EXCHANGE RISK

As at 30 June 2014, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars in the respective proportions of 95.2%, 0.4%, 4.3% and 0.1% (As at 31 December 2013: Renminbi, Hong Kong dollars and US dollars accounted for 89.4%, 0.5% and 10.1% respectively of the total bank balances of the Group). The bank loans and other borrowings maintained by the Group were denominated in Renminbi, Hong Kong dollars and US dollars in the respective proportions of 64.4% and 22.3% and 13.3% (As at 31 December 2013: Renminbi, Hong Kong dollars and US dollars accounted for 61.3%, 27.5% and 11.2% respectively of the total bank loans and other borrowings of the Group).

As the sales, purchases, bank borrowings and other borrowings of the Group for the six months ended 30 June 2014 were made mainly in Renminbi and Hong Kong dollars, and it is expected that the majority of future development and transactions carried out by the Group

Additional Information Required by the Listing Rules

will be made and transacted mainly in Renminbi or Hong Kong dollars, the Group will convert the Hong Kong dollars and US dollars bank balances into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk for the six months ended 30 June 2014, and the Group believes that the foreign exchange risk exposed by the Group was relatively minimal.

INTEREST RATE RISK

As at 30 June 2014, the majority of the bank borrowings of the Group were floating rate borrowings and were denominated in Renminbi, Hong Kong dollars and US dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

FUNDING AND TREASURY POLICY

The Group utilizes cash flows generated from operating activities and bank loans to finance its operations, construction and capital expenditure; to increase its land banks; to discharge its debt and to ensure the continuous growth of the Group's business.

CREDIT POLICIES

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitors these deposits and advances to ensure actions are taken to recover these balances in the case of any risk of default.

MATERIAL LITIGATION AND ARBITRATION

Dispute Relating to Yangcheng Lake Project

As at the date of this report, no judgment for the appeal was made by People's Court of Suzhou Industry Park since the last disclosure made by the Company in its 2013 annual report.

Details of the dispute have been set out in the 2009, 2010, 2011, 2012 and 2013 annual reports and in the 2010, 2012 and 2013 interim reports of the Company.

Additional Information Required by the Listing Rules

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

During the six months ended 30 June 2014, the Group transferred all its equity interests in Yue Fa Investments Limited to the Transferee (hereunder defined) pursuant to an announcement of the Company dated 26 March 2012, the Disposal (hereunder defined), and Mingfa Group Financial Investments Company Limited was therefore transferred to the Transferee according to the shareholding structure, in which, Mingfa Group Financial Investments Company Limited is the wholly-owned subsidiary of Yue Fa Investments Limited.

The Disposal refers to a transfer agreement signed on 26 March 2012, amongst a wholly-owned subsidiary of the Company (“**Transferor**”) and an independent third party to the Company (“**Transferee**”), in which the Transferor has agreed to transfer and the Transferee has agreed to acquire 50% equity interest in 廈門龍祥房地產開發有限公司 (Xiamen Longxiang Real Estate Development Co., Ltd.*) (“**Target Company**”), at an aggregate consideration of RMB1,118,440,000. Upon receipt of the consideration in full, the Transferor shall complete the Disposal by transferring the 50% equity interest in the Target Company to a special purpose vehicle (Yue Fa Investments Limited) and then transfer the entire interest of such special purpose vehicle to the Transferee or a third party designated by the Transferee.

Save for the abovementioned, the Group had no material acquisition or disposal of subsidiaries during the six months ended 30 June 2014.

For accounting purposes, the Disposal was regarded as occurred in 2012.

DETAILS OF THE TRANSACTIONS IN THE SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

Mingfa Group Taizhou Real Estate Co., Ltd.

Mingfa Group Finance Company Limited made further capital contribution of USD50 million to the equity capital of Mingfa Group Taizhou Real Estate Co., Ltd. in 2014, and following completion of the capital contribution, Mingfa Group Finance Company Limited remained as the sole equity holder holding 100% interest of Mingfa Group Taizhou Real Estate Co., Ltd.

SIGNIFICANT INVESTMENTS

Save as those disclosed under the section headed “MANAGEMENT DISCUSSION AND ANALYSIS”, the Group did not have any significant investments during the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Pursuant to the mandatory call option in the terms and conditions of the 2016 Bonds, the Company paid HK\$12,457,000 to redeem all of the remaining 2016 Bonds (listed on the Singapore Exchange Securities Trading Limited) with principal amount of HK\$11,000,000 on 10 March 2014. Details can be made reference to the announcement of the Company dated

* for identification purpose only

Additional Information Required by the Listing Rules

7 February 2014. Save for abovementioned, during the six months ended 30 June 2014 neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's or its subsidiaries' listed securities.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company are set out in Note 16 (a) and (b) to the condensed consolidated interim financial statements.

SENIOR NOTES

Details of the senior notes issued by the Company are set out in Note 16(c) to the condensed consolidated interim financial statements.

SUBSEQUENT EVENTS

There was no matter between the balance sheet date (i.e. 30 June 2014) and the date of this report that would cause material impact to the Group.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR(S)

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Director(s) are as follows:

Mr. QU Wenzhou has been appointed as the independent director of Geo-Jade Petroleum Corp (stock code: 600759) since December 2013, a company listed on the Shanghai Stock Exchange. Mr. QU Wenzhou was an independent director of Xiamen International Airport Co., Ltd. (stock code: 600897) from May 2008 to May 2014, a company listed on the Shanghai Stock Exchange.

Mr. DAI Yiyi was an independent director of Xiamen ITG Groups Corp., Ltd. (stock code: 600755) from May 2008 to April 2014, a company listed on the Shanghai Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the directors of the Company's securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. Having made specific enquiries of all directors by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding the directors' securities transactions for the six months ended 30 June 2014.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014, except as noted hereunder.

Additional Information Required by the Listing Rules

During the period under review, the Company has not yet confirmed an insurance scheme for the Company's directors and officers as required by the code provision A.1.8 of the CG Code. The Company has been undergoing the evaluation process and consulting with insurance service providers for arranging an appropriate insurance coverage for the directors and officers of the Company.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as desirable for future development of the operating activities or business of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive directors, namely Mr. Qu Wenzhou (the chairperson of the Audit Committee), Mr. Dai Yiyi and Mr. Lau Kin Hon. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the interim results and the unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

On behalf of the Board

WONG WUN MING

Chairman

22 August 2014

Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,557,093	1,521,738
Investment properties	6	9,054,809	8,704,268
Land use rights	6	162,904	155,829
Intangible assets	6	7,176	7,177
Associated companies	8	257,211	210,435
Joint ventures		263,261	264,895
Deferred income tax assets		403,003	414,044
Available-for-sale financial assets	10	20,000	20,000
Amounts due from non-controlling interests	13	200,000	265,000
Other receivables	11	13,986	13,589
Other non-current assets	7	3,132,673	2,245,062
		15,072,116	13,822,037
Current assets			
Land use rights	6	7,071,834	6,783,714
Properties under development		5,982,557	4,132,947
Completed properties held for sale		5,795,296	6,296,805
Inventories		12,264	6,834
Trade and other receivables and prepayments	11	1,351,709	1,447,959
Prepaid income taxes		129,783	230,992
Amounts due from related parties	12	358,935	53,879
Amounts due from non-controlling interests	13	187,056	496,620
Restricted cash	14	2,519,730	1,128,500
Cash and cash equivalents		643,220	971,184
		24,052,384	21,549,434
Total assets		39,124,500	35,371,471

The notes on page 37 to 82 are an integral part of these financial statements.

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2014

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	536,281	536,281
Reserves		10,073,203	9,717,806
		10,609,484	10,254,087
Non-controlling interests in equity			
		986,135	988,671
Total equity		11,595,619	11,242,758
LIABILITIES			
Non-current liabilities			
Deferred government grants		1,492,059	1,515,479
Borrowings	16	3,939,006	2,031,671
Deferred income tax liabilities		2,093,015	1,949,336
		7,524,080	5,496,486
Current liabilities			
Trade and other payables	19	7,084,462	6,670,142
Advanced proceeds received from customers		3,301,707	2,775,825
Amounts due to related parties	20	392,029	348,209
Amounts due to non-controlling interests	13	179,117	160,564
Income tax payable		1,924,678	2,017,813
Borrowings	16	7,110,100	6,609,730
Derivative financial instruments	18	6,286	46,230
Provision for other liabilities and charges	21	6,422	3,714
		20,004,801	18,632,227
Total liabilities		27,528,881	24,128,713
Total equity and liabilities		39,124,500	35,371,471
Net current assets		4,047,583	2,917,207
Total assets less current liabilities		19,119,699	16,739,244

The notes on page 37 to 82 are an integral part of these financial statements.

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenues	5	1,525,498	2,886,152
Cost of sales	23	(919,691)	(1,832,639)
Gross profit		605,807	1,053,513
Fair value gains on investment properties		345,459	222,897
Fair value gains on derivative financial instruments		2,464	18,231
Other gains	22	75,547	58,563
Selling and marketing costs	23	(82,855)	(95,594)
Administrative expenses	23	(173,465)	(156,265)
Other operating expenses	23	(83,476)	(25,092)
Operating profit		689,481	1,076,253
Finance income	24	7,988	9,758
Finance costs	24	(43,792)	(129,653)
Finance costs — net	24	(35,804)	(119,895)
Share of results of			
— Associated companies	8	(1,227)	(3,729)
— Joint ventures		(1,635)	(2,016)
		(2,862)	(5,745)
Profit before income tax		650,815	950,613
Income tax expense	25	(300,603)	(449,492)
Profit for the period		350,212	501,121
Attributable to:			
Equity holders of the Company		352,748	510,278
Non-controlling interests		(2,536)	(9,157)
		350,212	501,121
Earnings per share for profit attributable to equity holders of the Company			
(RMB cents)			
— Basic	27	5.8	8.4
— Diluted	27	5.3	7.0
Dividend	26	—	—

The notes on page 37 to 82 are an integral part of these financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit for the period	350,212	501,121
Other comprehensive gain/(loss), which may be reclassified subsequently to profit or loss		
— Currency translation differences	2,649	(9,620)
Total comprehensive income for the period	352,861	491,501
Attributable to		
Equity holders of the Company	355,397	500,658
Non-controlling interests	(2,536)	(9,157)
	352,861	491,501

The notes on page 37 to 82 are an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Unaudited			
	Capital and reserves attributable to equity holders of the Company			Non- controlling interests
	Share capital RMB'000	Reserves RMB'000	Total RMB'000	
Balance at 1 January 2014	536,281	9,717,806	988,671	11,242,758
Comprehensive income				
Profit for the period	—	352,748	(2,536)	350,212
Other comprehensive gain				
— Currency translation differences	—	2,649	—	2,649
Total comprehensive income for the period	—	355,397	(2,536)	352,861
Balance at 30 June 2014	536,281	10,073,203	986,135	11,595,619
Balance at 1 January 2013	536,281	8,332,506	972,158	9,840,945
Comprehensive income/(loss)				
Profit for the period	—	510,278	(9,157)	501,121
Other comprehensive loss				
— Currency translation differences	—	(9,620)	—	(9,620)
Total comprehensive income for the period	—	500,658	(9,157)	491,501
Transactions with owners				
Capital injection to subsidiaries by non-controlling interests	—	—	21,599	21,599
Balance at 30 June 2013	536,281	8,833,164	984,600	10,354,045
Comprehensive income/(loss)				
Profit for the period	—	888,951	(13,758)	875,193
Other comprehensive loss				
— Currency translation differences	—	(4,309)	—	(4,309)
Total comprehensive income for the period	—	884,642	(13,758)	870,884
Transactions with owners				
Capital injection to subsidiaries by non-controlling interests	—	—	9,829	9,829
Acquisition of subsidiaries	—	—	8,000	8,000
	—	—	17,829	17,829
Balance at 31 December 2013	536,281	9,717,806	988,671	11,242,758

The notes on page 37 to 82 are an integral part of these financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Net cash (used in)/generated from operations	(693,144)	557,105
Interest received	7,590	9,379
Interest paid	(495,294)	(258,656)
PRC enterprise income tax paid	(62,180)	(238,436)
PRC land appreciation tax paid	(75,980)	(134,666)
Net cash used in operating activities	(1,319,008)	(65,274)
Investing activities		
Additions of property, plant and equipment and investment properties	(69,619)	(76,634)
Net cash advances (made to)/received from related parties	(1,000)	3,000
Net cash advances received from third parties	104,753	—
Acquisition of a subsidiary, net of cash acquired	(357,608)	(10,000)
Advances to associated companies	(82,829)	(26,335)
Advances to a joint venture	(220,831)	—
Capital injection to an associated company	—	(60,560)
Payments for acquisition of additional interest in an associated company	(45,373)	—
Proceeds from sale of investment properties	56,423	—
Additions of available-for-sale financial assets	—	(20,000)
Acquisition of a joint venture	(1)	—
Net cash used in investing activities	(616,085)	(190,529)
Financing activities		
Drawdown of borrowings	6,243,582	2,748,076
Repayments of borrowings	(3,865,244)	(2,567,737)
Net cash advances received from non-controlling interests	1,075	93,270
Net cash advances (made to)/received from related parties	(7,440)	36,498
Net cash advances received from a joint venture	50,000	—
Net cash advances received from third parties	169,404	374,413
Increase in restricted cash relating to financing activities	(1,391,230)	(509,596)
Capital contribution from non-controlling interests	—	21,599
Cash received in connection with the disposal of partial interest in a subsidiary without loss of control	405,112	—
Net cash generated from financing activities	1,605,259	196,523
Effect of foreign exchange rate changes on cash	1,870	(3,176)
Net decrease in cash, cash equivalents and bank overdrafts	(327,964)	(62,456)
Cash, cash equivalents and bank overdrafts at 1 January	971,184	664,546
Cash and cash equivalents at 30 June	643,220	602,090

The notes on page 37 to 82 are an integral part of these financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Mingfa Group (International) Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The principal activities of the Company and its subsidiaries (together, the “**Group**”) are property development, property investment and hotel operation in the People’s Republic of China (the “**PRC**”).

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 November 2009.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 are prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and derivative financial instruments which are carried at fair value, and in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated.

These condensed consolidated interim financial statements have not been audited.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended 31 December 2013.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

2 ACCOUNTING POLICIES (continued)

Amendments and interpretation adopted by the Group in 2014

The following amendments to existing standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2014 and are relevant to the Group's operations.

- HKAS 32 (Amendment) "Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014). The amendment clarifies the requirements for offsetting financial instruments on the balance sheet: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered as equivalent to net settlement systems.
- HKFRS 10, 12 and HKAS 27 (Amendments) regarding consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014). These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.
- HKAS 36 (Amendment) "Impairment of Assets" on recoverable amount disclosures (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- HK(IFRIC) 21 "Levies" (effective for annual periods beginning on or after 1 January 2014). This is an interpretation of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The adoption of the above amendments to existing standards and interpretation in 2014 does not have any significant impact on the Group's consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

2 ACCOUNTING POLICIES (continued)

Amendments and interpretation adopted by the Group in 2014 (continued)

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but are not yet effective for the financial year ending on 31 December 2014.

3 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company for the year ended 31 December 2013.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk including currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

There have been no changes in the risk management department since the 2013 year end or in any risk management policies.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, internally generated sales proceeds and through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2014					
Borrowings	7,074,740	1,977,482	1,437,747	540,972	11,030,941
Interest payments on borrowings (note)	603,208	209,698	324,283	96,794	1,233,983
Trade and other payables	7,084,462	—	—	—	7,084,462
Amounts due to related parties	392,029	—	—	—	392,029
Amounts due to non-controlling interests	179,117	—	—	—	179,117
Financial guarantees	4,698,270	—	—	—	4,698,270
	20,031,826	2,187,180	1,762,030	637,766	24,618,802
As at 31 December 2013					
Borrowings	6,596,933	325,343	1,655,859	72,040	8,650,175
Interest payments on borrowings (note)	557,063	154,507	217,698	3,503	932,771
Trade and other payables	6,670,142	—	—	—	6,670,142
Amounts due to related parties	348,209	—	—	—	348,209
Amounts due to non-controlling interests	160,564	—	—	—	160,564
Financial guarantees	4,147,595	—	—	—	4,147,595
	18,480,506	479,850	1,873,557	75,543	20,909,456

Note: The interest payments on borrowings are calculated based on borrowings held as at 30 June 2014 and 31 December 2013 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 30 June 2014 and 31 December 2013 respectively.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	—	—	20,000	20,000
Financial liabilities at fair value through profit or loss — derivative financial instruments	—	—	6,286	6,286

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	—	—	20,000	20,000
Financial liabilities at fair value through profit or loss — derivative financial instruments	—	—	46,230	46,230



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

There were no transfer among Level 1, 2, 3 during the period. There were no changes in valuation techniques during the period.

(i) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) *Financial instruments in Level 2*

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

(iii) Financial instruments in Level 3

The following tables present the changes in Level 3 instruments for the six months ended 30 June 2014 and 2013.

Six months ended 30 June 2014	Available-for-sale financial assets RMB'000	Derivative financial instruments RMB'000
Opening balance at 1 January	20,000	46,230
Gains recognised in profit or loss	—	(2,464)
Redemption of convertible bonds	—	(37,480)
Closing balance at 30 June	20,000	6,286
Total gains for the reporting period included in profit or loss	—	(2,464)
Six months ended 30 June 2013		
	Available-for-sale financial assets RMB'000	Derivative financial instruments RMB'000
Opening balance at 1 January	—	310,283
Additions	20,000	—
Gains recognised in profit or loss	—	(18,231)
Repurchase and redemption of convertible bonds	—	(175,122)
Closing balance at 30 June	20,000	116,930
Total gains for the reporting period included in profit or loss	—	(18,231)

The fair value measurements of investment properties fall under Level 3 and there were no changes in valuation techniques during the period.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

5 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker (the “**CODM**”) reviews the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group’s consolidated revenue and results are attributable to the market in the PRC and most of the Group’s consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

(a) Revenues

Turnover of the Group consists of the following revenues recognised during the period:

	Six months ended 30 June	
	2014 RMB’000	2013 RMB’000
Sale of properties		
— commercial	372,901	647,480
— residential	943,553	2,075,082
Hotel operating income	1,316,454	2,722,562
Rental income	50,062	33,636
— from investment properties	135,632	113,100
— others	9,068	4,344
Property management fee income	14,282	12,510
	1,525,498	2,886,152

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information

The unaudited segment results for the six months ended 30 June 2014 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	372,901	943,553	52,528	158,982	—	—	1,527,964
Inter-segment revenues	—	—	(2,466)	—	—	—	(2,466)
Revenues	372,901	943,553	50,062	158,982	—	—	1,525,498
Operating profit/(loss)	73,320	242,571	(18,337)	422,416	(30,489)	—	689,481
Finance costs — net							(35,804)
Share of results of associated companies	(791)	(436)	—	—	—	—	(1,227)
Share of results of joint ventures	(438)	(1,200)	—	3	—	—	(1,635)
Profit before income tax							650,815
Income tax expense							(300,603)
Profit for the period							350,212
Other segment information							
Capital and property development expenditure	968,986	2,324,765	14,627	5,518	—	—	3,313,896
Depreciation	1,861	7,355	9,938	1,067	2,278	—	22,499
Amortisation of land use rights as expenses	1,551	962	—	—	—	—	2,513
Fair value gains on investment properties	—	—	—	345,459	—	—	345,459
Fair value gains on derivative financial instruments	—	—	—	—	2,464	—	2,464
Net gain from redemption of 2015 and 2016 Bonds	—	—	—	—	23,988	—	23,988
Impairment of goodwill recognised as expenses	—	1	—	—	—	—	1

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The unaudited segment results for the six months ended 30 June 2013 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	647,480	2,075,082	35,727	129,954	—	—	2,888,243
Inter-segment revenues	—	—	(2,091)	—	—	—	(2,091)
Revenues	647,480	2,075,082	33,636	129,954	—	—	2,886,152
Operating profit/(loss)	369,599	405,381	(25,423)	275,525	51,171	—	1,076,253
Finance costs — net							(119,895)
Share of results of associated companies	(515)	(3,214)	—	—	—	—	(3,729)
Share of results of joint ventures	(541)	(1,482)	—	7	—	—	(2,016)
Profit before income tax							950,613
Income tax expense							(449,492)
Profit for the period							501,121
Other segment information							
Capital and property development expenditure	358,020	1,357,195	10,525	49,212	—	—	1,774,952
Depreciation	1,400	6,450	16,282	735	2,247	—	27,114
Amortisation of land use rights as expenses	2,245	451	—	—	—	—	2,696
Fair value gains on investment properties	—	—	—	222,897	—	—	222,897
Fair value gains on derivative financial instruments	—	—	—	—	18,231	—	18,231
Net loss from repurchase and redemption of 2016 Bonds	—	—	—	—	11,442	—	11,442
Impairment of goodwill recognised as expenses	—	4	—	—	—	—	4

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The unaudited segment assets and liabilities as at 30 June 2014 are as follows:

	Property	Property	Property		All other	Elimination	Total
	development — commercial	development — residential	Hotel	investment and management			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	17,970,721	26,566,395	2,260,540	10,492,156	8,054,713	(27,273,283)	38,071,242
Associated companies	205,383	51,828	—	—	—	—	257,211
Joint ventures	69,740	191,029	—	2,492	—	—	263,261
	18,245,844	26,809,252	2,260,540	10,494,648	8,054,713	(27,273,283)	38,591,714
Unallocated:							
Deferred income tax assets							403,003
Prepaid income taxes							129,783
Total assets							39,124,500
Segment liabilities	10,131,604	19,001,260	300,402	884,606	9,411,207	(27,273,283)	12,455,796
Unallocated:							
Deferred income tax liabilities							2,093,015
Borrowings							11,049,106
Derivative financial instruments							6,286
Income tax payable							1,924,678
Total liabilities							27,528,881

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The audited segment assets and liabilities as at 31 December 2013 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	15,550,412	19,290,502	2,052,058	10,228,574	6,708,059	(19,578,500)	34,251,105
Associated companies	160,801	49,634	—	—	—	—	210,435
Joint ventures	70,178	192,228	—	2,489	—	—	264,895
	15,781,391	19,532,364	2,052,058	10,231,063	6,708,059	(19,578,500)	34,726,435
Unallocated:							
Deferred income tax assets							414,044
Prepaid income taxes							230,992
Total assets							35,371,471
Segment liabilities	8,641,066	13,421,939	218,653	606,539	8,164,236	(19,578,500)	11,473,933
Unallocated:							
Deferred income tax liabilities							1,949,336
Borrowings							8,641,401
Derivative financial instruments							46,230
Income tax payable							2,017,813
Total liabilities							24,128,713

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

6 CAPITAL EXPENDITURE

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2014	1,521,738	6,939,543	8,704,268	7,177	17,172,726
Additions	57,610	477,487	5,225	—	540,322
Acquisition of a subsidiary	—	94,308	—	—	94,308
Land use rights amortisation capitalised to property, plant and equipment	247	(247)	—	—	—
Land use rights amortisation capitalised to properties under development	—	(71,549)	—	—	(71,549)
Transfer to investment properties	—	(41,099)	41,099	—	—
Transfer from deferred government grants	—	—	(21,493)	—	(21,493)
Transfer to cost of sales	—	(161,192)	—	—	(161,192)
Transfer from completed properties held for sale	—	—	47,633	—	47,633
Fair value gains	—	—	345,459	—	345,459
Impairment of goodwill recognised as expenses	—	—	—	(1)	(1)
Depreciation/amortisation charged to the consolidated income statement	(22,499)	(2,513)	—	—	(25,012)
Disposals	(3)	—	(67,382)	—	(67,385)
Closing net book amount as at 30 June 2014	1,557,093	7,234,738	9,054,809	7,176	17,853,816
Representing:					
Non-current		162,904			
Current		7,071,834			
		7,234,738			

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

6 CAPITAL EXPENDITURE (continued)

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at					
1 January 2013	519,046	4,773,851	7,952,701	7,184	13,252,782
Additions	19,051	878,631	43,667	—	941,349
Land use rights amortisation capitalised to properties under development	—	(49,979)	—	—	(49,979)
Transfer to investment properties	—	(4,579)	4,579	—	—
Transfer to cost of sales	—	(447,560)	—	—	(447,560)
Transfer from completed properties held for sale	—	—	131,157	—	131,157
Fair value gains	—	—	222,897	—	222,897
Impairment of goodwill recognised as expenses	—	—	—	(4)	(4)
Depreciation/amortisation charged to the consolidated income statement	(27,114)	(2,696)	—	—	(29,810)
Disposals	(98)	—	—	—	(98)
Closing net book amount as at 30 June 2013	510,885	5,147,668	8,355,001	7,180	14,020,734
Representing:					
Non-current		39,775			
Current		5,107,893			
		5,147,668			

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

6 CAPITAL EXPENDITURE (continued)

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 July 2013	510,885	5,147,668	8,355,001	7,180	14,020,734
Additions	15,457	2,497,562	119,480	—	2,632,499
Land use rights amortisation capitalised to properties under development	—	(58,795)	—	—	(58,795)
Transfer to investment properties	—	(218,572)	218,572	—	—
Transfer from deferred government grants	—	—	(123,563)	—	(123,563)
Transfer to cost of sales	—	(424,592)	—	—	(424,592)
Transfer from completed properties held for sale	1,017,372	—	41,279	—	1,058,651
Fair value gains	—	—	230,499	—	230,499
Impairment of goodwill recognised as expenses	—	—	—	(3)	(3)
Depreciation/amortisation charged to the consolidated income statement	(22,013)	(3,728)	—	—	(25,741)
Disposals	37	—	(137,000)	—	(136,963)
Closing net book amount as at 31 December 2013	1,521,738	6,939,543	8,704,268	7,177	17,172,726
Representing:					
Non-current		155,829			
Current		6,783,714			
		6,939,543			

Except for investment properties which are carried at fair value, all the above are stated at historical cost less depreciation/amortisation and impairment losses. The investment properties were revalued on existing use basis as at 30 June 2014 and 31 December 2013 by DTZ Debenham Tie Leung Limited, independent professional qualified valuers.

Intangible assets comprise goodwill from acquisitions, which were mostly related to the properties in these acquired businesses. The goodwill is impaired when the underlying properties are sold or transferred to investment properties. The goodwill impairment was included in other operating expenses in the consolidated income statement.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

7 OTHER NON-CURRENT ASSETS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Prepayments and deposits for land use rights (note (a))	3,008,842	2,120,092
Prepayments for acquisition of subsidiaries (note (b))	33,000	33,000
Unamortised development costs for properties where the use rights had been transferred (note (c))	90,830	91,970
	3,132,673	2,245,062

Notes:

- (a) The Group had made prepayments and deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.
- (b) Pursuant to the equity transfer agreement entered into between the Group and a third party in January 2010, the Group agreed to purchase 100% equity interest of a company, established in Chengdu of the PRC at a cash consideration of approximately RMB42,544,000. The Group paid RMB33,000,000 in 2010 as prepayment and the acquisition has not been completed as at 30 June 2014.
- (c) The Group had entered into certain "Transfer of Right to Use Properties" agreements with the transferees to grant them the right to occupy and use the relevant properties as stated in the agreements for a term commencing from the property delivery date up to the expiry date of the Group's use right of 50 years to the land on which the properties are located. As consideration, the transferees agreed to pay upfront proceeds for the entire term to the Group. Under the relevant PRC regulations, such agreements can only be treated as operating leases of 20 years. These agreements are not regarded as finance leases because the term commencing from the end of the first 20 years up to the expiry of the term of 50 years as specified in the agreements could be subjected to challenge, and therefore the risks and rewards over this remaining period is not considered as passed to the transferees. Accordingly the upfront proceeds are recognised as income on a straight-line basis over the entire grant term specified in the agreements with the unamortised balance amounting to RMB149,890,000 as at 30 June 2014 (31 December 2013: RMB151,692,000) recorded under advanced proceeds received from customers in current liabilities. The cost of these properties are transferred from assets under construction under property, plant and equipment to other non-current assets upon completion and thereafter amortised to the consolidated income statement on a straight-line basis over the term up to expiry date of the related land use right of 50 years held by the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

8 ASSOCIATED COMPANIES

	Six months ended 30 June 2014 RMB'000
Opening balance	210,435
Additions (note)	45,373
Share of results	
— Loss for the period	(1,227)
Share of other comprehensive gains	
— Currency translation differences	2,630
Ending balance	257,211

Note:

On 27 March 2012, the Group acquired 25% equity interest in Changchun Shimao Mingfa Real Estate Company Limited (“Shimao Mingfa”) (previously named as: Changchun Shimao Ke Rui Real Estate Company Limited), an unlisted entity incorporated in PRC at a cash consideration of RMB103,000,000.

On 31 March 2014, the Group further acquired 12.5% equity interest in Shimao Mingfa at a cash consideration of RMB45,373,000.

The Group's share of the results and the aggregated consolidated assets (including goodwill) and liabilities of the associated companies are shown below:

Name of entity	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Loss after tax RMB'000	% of interest held
As at and for the six months ended 30 June 2014					
Eagle Rights	62,409	10,581	3,108	(436)	33.33
Shimao Mingfa	246,556	100,573	—	(142)	37.50
Mingfa Tongxin	72,532	13,132	—	(649)	49.00
	381,497	124,286	3,108	(1,227)	

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

9 JOINT OPERATION

On 8 November 2002, the Group entered into a joint operation contract (“**Master Agreement**”) with Powerlong Group Development Co., Ltd. (“**Baolong**”), a third party, to jointly acquire the land use rights, develop, sell, hold and operate the properties in a project in Xiamen. The joint operation does not involve the establishment of a corporation. Pursuant to the Master Agreement, both parties shall jointly be responsible for the planning, design and construction, and share the operation results of the entire project, on a portfolio basis, at agreed percentage of 70% and 30% contributable to the Group and Baolong respectively. The Group therefore proportionally accounted for 70% of the assets and liabilities, and operating results in its consolidated financial statements. The following amounts represent the Group’s 70% share of the assets and liabilities, and sales and results of the joint operation which are included in the consolidated balance sheet and consolidated income statement.

	30 June 2014 RMB'000	31 December 2013 RMB'000
Assets		
Non-current assets	298,865	295,518
Current assets	591,212	553,541
	890,077	849,059
Liabilities		
Non-current liabilities	168,417	166,772
Current liabilities	539,263	480,112
	707,680	646,884
Net assets	182,397	202,175

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

9 JOINT OPERATION (continued)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Income	17,676	10,274
Fair value gains on investment properties	6,940	—
Expenses	(44,394)	(14,247)
Loss after income tax	(19,778)	(3,973)
Proportionate interest in joint operation's		
— operating lease rentals receivable	424,234	477,958
— financial guarantees	96,827	143,191

On 4 December 2008, the Group and Baolong entered into a supplemental agreement to allocate some of the investment properties in the project which were selected on a random basis ("**Supplemental Agreement**"), as an initial step in determination of profit and loss sharing on this joint operation. Pursuant to the assets allocation under the Supplemental Agreement, Baolong has been allocated an excess areas of approximately 9,775 square metres. The Group is entitled to receive proceeds from Baolong on the excess areas at a fixed price of RMB9,500 per square metre and the total amount is estimated to be approximately RMB92,867,000. However, the fixed price for these excess areas is different from the average carrying value of the investment properties, and the shortfalls of approximately RMB12,011,000 have been accounted for as impairment losses and included as expenses in the Group's consolidated income statement for the year ended 31 December 2008.

On 25 November 2009, Baolong filed an arbitration claim to the Xiamen Arbitration Commission against the Group ("**Arbitration Claim**"), requesting the Group, among other things, to (1) effect the title transfer of the allocated area pursuant to the above Supplemental Agreement to Baolong and fully bear the related taxes and costs, and pay over the rental income and related interest charges of the allocated area; (2) allocate and effect the title transfer of 30% of the remaining unsold completed properties, bear all related taxes; (3) distribute 30% of profits and associated interests; (4) fully bear the penalty on delay in development and late deliveries and certain other expenses and costs.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

9 JOINT OPERATION (continued)

During the hearing, Baolong also claimed that the proceeds on the excess areas of allocated properties in favour of Baolong should be at the amount of approximately RMB60,592,000, rather than the amount of approximately RMB92,867,000 claimed by the Group. Baolong's calculation of proceeds is based on the value of assets rather than the square metres stipulated by the Supplemental Agreement.

On 1 June 2010, the Xiamen Arbitration Commission made and granted partial arbitration rulings ("**Partial Arbitration**") in relation to the above Arbitration Claim that (i) the Group shall submit the necessary documents in relation to effecting the title transfer of the allocated properties in favour of Baolong within 10 days after delivery of the arbitration rulings and assist Baolong to effect the title transfer; the Group and Baolong shall pay the respective taxes and other expenses arising from such transfer in accordance with applicable laws and regulations of Xiamen and the PRC; (ii) Baolong shall pay to the Group the proceeds of RMB60,592,000 within 5 days following the grant and issue of the title certificate(s) in relation to the excess areas of the allocated properties in favour of Baolong; and (iii) the partial rulings are final rulings in respect of the relevant subject matters and shall take full force and effect on the date of rulings.

On 11 November 2010, the Xiamen Intermediate People's Court (the "**Court**") issued Enforcement Notice on the above partial rulings ("**Enforcement Notice**") and ordered (i) the Group to transfer the title of the allocated properties to Baolong; (ii) the tax payment of such title transfer be paid in advance by each party. The Group filed an objection to the Court but was overruled by the Court on 27 December 2010. Subsequently in March 2011, the Group was informed that the above enforcement procedure has been terminated.

On 22 March 2011, the Group filed an application for additional counterclaims to Xiamen Arbitration Commission aiming to clarify certain outstanding issues of the rulings, including (1) confirmation of the nature of cooperation under the Master Agreement, and the ruling that Baolong shall allocate the properties based on the principles of the Master Agreement, and deposit 30% of related taxes before applying for change of registration of the titles; (2) confirmation that the Group's obligation is to submit the required information in assisting the title transfer; (3) ruling for Baolong to bear the losses in all related taxes arising from early allocation of the properties; and (4) ruling for Baolong not to transfer, mortgage or change the operation status of the allocated properties. The counterclaims are still pending further judgment and no final rulings have been made.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

9 JOINT OPERATION (continued)

Based on the legal interpretations on the Master Agreement, Supplemental Agreement and the Partial Arbitration, the directors believed that the basis of cooperation and allocation of risks and rewards between the Group and Baolong remained the same as those set out in the Master Agreement. The proposed settlement of proceeds at RMB60,592,000 refers to the undisputed portion and the proposed arrangement of payment of taxes and other expenses in relation to the title transfer were both the temporary solution to initiate the title transfer of the allocated properties in favour of Baolong, which was not the final results of the Arbitration Claim. Meanwhile, with the closure of the Enforcement Notice, the directors believed that the Court and relevant local land bureau and local tax bureau would no longer enforce the Enforcement Notice.

The directors were of the view that the Partial Arbitration rulings and the Court's Enforcement Notice would not give rise to any significant financial impact to the Group and therefore no additional provision was considered necessary.

On 15 November 2012, the Group entered into a memorandum with Baolong to effect the title transfer of the allocated properties to Baolong pursuant to the Supplemental Agreement, with Baolong agreed to fully bear the related taxes ("**Memorandum**").

As at 31 December 2012, the title transfer of most of the allocated properties to Baolong had been completed. The proceeds of RMB92,867,000 on the excess areas had also been received from Baolong.

The fair value of the properties allocated to the Group pursuant to the Memorandum had given rise to a gain as compared with the previously reported amounts based on 70% interest of the Group in the project on a portfolio basis. Such a gain has been accounted for as part of and included in the Group's 70% share of the project's fair value gains on investment properties in 2012.

The Group continues to proportionally account for the remaining assets and liabilities of the project and its operating results based on 70% share on a portfolio basis, and the directors consider that such an accounting treatment on the joint operation with Baolong is appropriate although there could be further incidences which may cause the Group not being able to maintain its 70% interest in the final determination of the profits or losses and assets and liabilities of the project. Accordingly the Group's interest in the project at each reporting date will necessarily involve estimates and judgement and may require adjustment to the previously reported amounts in the period in which such adjustment arises.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Opening balance	20,000	—
Addition	—	20,000
Ending balance	20,000	20,000
Less: Non-current portion	(20,000)	(20,000)
Current portion	—	—

Available-for-sale financial assets represented equity investment of 10% in a newly established PRC shareholding limited company engaging in micro-lending businesses and are stated at fair value. There is no significant change in fair value of the financial assets as at 30 June 2014 from the investment cost.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables (note (a))	341,765	298,733
Less: Provision for impairment of trade receivables	(48,890)	(49,136)
Trade receivables — net	292,875	249,597
Deposits for resettlement costs	2,755	2,755
Deposits for land purchases	18,050	28,050
Advances to third parties (note (c))	176,073	280,826
Receivable in connection with the disposal of a joint venture (note (d))	204,479	204,479
Other receivables	302,703	269,382
Prepayments for construction costs	176,098	257,016
Prepaid business tax and other levies on pre-sale proceeds	192,662	169,443
Less: Non-current portion of other receivables (note (b))	1,365,695 (13,986)	1,461,548 (13,589)
Current portion	1,351,709	1,447,959

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

As at 30 June 2014, the fair values of trade receivables, deposits for resettlement costs and land purchases, advances to third parties, receivable in connection with a disposal of equity interest and other receivables approximate their carrying amounts.

Notes:

- (a) Trade receivables are mainly arisen from sales of properties and leases of investment properties. Proceeds in respect of properties sold and leased are to be received in accordance with the terms of the related sales and purchase agreements and lease agreements.

The ageing analysis of trade receivables is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 90 days	56,335	74,298
Over 90 days and within 1 year	125,062	92,235
Over 1 year and within 2 years	105,887	85,346
Over 2 years	54,481	46,854
	341,765	298,733

As at 30 June 2014, provision for impairment of trade receivables was approximately RMB48,890,000 (31 December 2013: approximately RMB49,136,000).

- (b) Non-current other receivables represent the unsettled proceeds from the sale of a building included in property, plant and equipment which are to be collected over a period of seven years. The receivables were initially recognised at fair value based on cash flows discounted using a rate of 5.94%.
- (c) The advances to third parties are unsecured, interest-free and have no fixed repayment terms.
- (d) The amount relates to reimbursement of certain accrued expenses in connection with a disposal of equity interest to be received from the buyer.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

12 AMOUNTS DUE FROM RELATED PARTIES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Controlled by the Controlling Shareholders		
Growing Group Limited	106	105
Better Luck Group Limited	50	50
Gainday Holdings Limited	50	50
Tin Sun Holdings Limited	50	50
Run Fast International Limited	25	25
Bloom Luck Holdings Limited	29	28
Xiamen Mingfa Property Development Co., Ltd. (廈門市明發物業發展有限公司)	614	645
Common directors		
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥製 品有限公司) (“Nanjing Qianqiuye”)	2,692	667
Associated companies		
Eagle Rights (鈞濠有限公司)	11,388	9,759
Shimao Mingfa (長春世茂明發房地產開發有限公司)	100,500	42,500
Nanjing Software Valley Mingfa Communications Technology Development Co., Ltd. (南京軟件谷明發通信 科技發展有限公司)	22,600	—
Joint venture		
Powerland Holding Limited	220,831	—
	358,935	53,879

Except for an amount of RMB2,692,000 due from Nanjing Qianqiuye as at 30 June 2014 (31 December 2013: RMB667,000), which was trade in nature, the amounts due from related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due from related companies approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

13 BALANCES WITH NON-CONTROLLING INTERESTS

Except for a total amount of RMB367,036,000 due from Nanjing Software Valley Development Company Limited (“**Nanjing Software Valley**”) which carries interest at an agreed rate, the balances with non-controlling interests are unsecured, interest-free, have no fixed repayment terms and are non-trade in nature. The fair value of the non-current receivables of RMB200,000,000 from Nanjing Software Valley which are expected to be fully settled by 2016 are based on cash flows discounted using a market rate which is within Level 2 of the fair value hierarchy.

14 RESTRICTED CASH

As at 30 June 2014, the Group’s cash of approximately RMB2,441,556,000 (31 December 2013: RMB1,118,000,000) was restricted and deposited in certain banks primarily as security for certain bank borrowings.

As at 30 June 2014, the Group’s cash of approximately RMB78,174,000 (31 December 2013: RMB10,500,000) was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

15 SHARE CAPITAL

Details of share capital of the Company are as follows:

	Par value HK\$	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent RMB
Authorised:				
At 1 January 2013,				
31 December 2013 and				
30 June 2014	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 1 January 2013,				
31 December 2013 and				
30 June 2014	0.1	6,093,451,026	609,345,103	536,280,877



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

16 BORROWINGS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured	7,172,695	4,523,475
Convertible bonds (notes (a) and (b))	—	1,343,682
Senior notes (note (c))	633,445	626,053
Other borrowings — secured	175,000	180,000
	7,981,140	6,673,210
Less: Amounts due within one year	(4,042,134)	(4,641,539)
	3,939,006	2,031,671
Borrowings included in current liabilities		
Bank borrowings — secured	2,101,027	1,368,085
Other borrowings — guaranteed and secured	534,939	600,106
Other borrowings — unsecured	432,000	—
Current portion of long-term borrowings	4,042,134	4,641,539
	7,110,100	6,609,730

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Opening balance	8,641,401	7,187,835
Additions of borrowings	6,243,582	2,140,908
Repayments of borrowings	(2,499,587)	(1,293,059)
Senior notes	7,392	632,904
Convertible bonds — liability component	(1,343,682)	(1,030,602)
Ending balance	11,049,106	7,637,986

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

16 BORROWINGS (continued)

As at 30 June 2014, the Group's certain borrowings of RMB4,722,988,000 (31 December 2013: RMB3,986,323,000) were secured by its land use rights (Note 17), properties under development (Note 17) and completed properties held for sale (Note 17).

As at 30 June 2014, the Group's certain borrowings of RMB2,557,613,000 (31 December 2013: RMB1,077,151,000) were secured by its buildings (Note 17) and investment properties (Note 17).

As at 30 June 2014, the Group's certain borrowings of RMB2,343,121,000 (31 December 2013: RMB1,268,086,000) were secured by part of its restricted cash (Note 14, Note 17).

As at 30 June 2014, the Group's certain borrowings of RMB359,939,000 (31 December 2013: RMB340,106,000) were guaranteed by the Controlling Shareholders, Galaxy Earnest Limited which is controlled by the Controlling Shareholders and Growing Group Limited which is wholly-owned by Mr. Wong Wun Ming, one of the Controlling Shareholders.

Notes:

(a) Convertible bonds issued on 10 December 2010 ("2015 Bonds")

The Company issued HK\$1,551,580,000 convertible bonds on 10 December 2010 ("December closing date") to Gain Max Enterprises Limited, an investment vehicle of Warburg Pincus & Co. The 2015 Bonds bear interest at 5% per annum which is payable semi-annually.

The 2015 Bonds mature in five years from the December closing date and shall be redeemed at 129.82% of their nominal value or can be converted into ordinary shares of the Company on or after 11 December 2010 up to 3 December 2015 at a price of HK\$2.90 per share.

The 2015 Bonds also contain redemption option at any time after 10 November 2013 which allows the bondholder to require the Company to redeem any bond at a premium equal to 17.05% multiplied by a fraction of which the numerator is the total number of days from 10 December 2010 to the redemption due date and the denominator is the total number of days from 10 December 2010 to 10 December 2015.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

16 BORROWINGS (continued)

Notes (continued):

(a) Convertible bonds issued on 10 December 2010 ("2015 Bonds") (continued)

In conjunction with the 2015 Bonds, the Company also issued warrants on 10 December 2010 to Profit Max Enterprises Limited, another investment vehicle of Warburg Pincus & Co., for no additional consideration. The warrants have a subscription period from 20 January 2011 to 3 December 2015 with an exercise price of HK\$4.36 per share and maximum value of issued shares amounting to HK\$387,895,000. The warrants also have transferability that the subscription rights are freely transferable either in whole or in part provided that, if necessary, the prior approval of the Stock Exchange shall be required for any transfer to any transferee which is a connected person of the Company.

The values of the liability component of the 2015 Bonds and the conversion, redemption options as well as the warrants were determined at issuance of the bonds. Subsequently, the liability component is measured at amortised cost and the embedded derivatives are measured at fair value at each balance sheet date.

On 15 January 2014, the Company paid HK\$1,723,355,000 (equivalent to RMB1,355,815,000) to redeem all of the 2015 Bonds with principal amount of HK\$1,551,580,000 upon the request of the bondholders.

The 2015 Bonds recognised in the consolidated balance sheet is calculated as follows:

	RMB'000
Liability component as at 31 December 2013	1,335,104
Interest expenses (Note 24)	7,343
Redemption of convertible bonds	(1,343,295)
Exchange losses	848
Liability component as at 30 June 2014	—

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

16 BORROWINGS (continued)

Notes (continued):

(b) Convertible bonds issued on 23 May 2011 ("2016 Bonds")

The Company issued HK\$1,560,000,000 convertible bonds on 23 May 2011 ("May closing date") which were listed on the Singapore Exchange Securities Trading Limited. The 2016 Bonds bear interest at 5.25% per annum which is payable semi-annually.

The 2016 Bonds mature in five years from the May closing date and shall be redeemed at 126.42% of their principal amount together with accrued and unpaid interest thereon on 23 May 2016 or can be converted at the option of the bondholder into ordinary shares of the Company at any time on or after 2 July 2011 up to the close of business on the seventh day prior to 23 May 2016 at a price of HK\$3.168 per share which has been reset to HK\$2.61 per share on 10 March 2012.

The 2016 Bonds also contain redemption option which allows any bondholder to require the Company to redeem all and not some only of such holder's 2016 Bonds to the aggregate of the 109.97% of its principal amount together with interest accrued to the respective dates fixed for redemption on 23 June 2013.

The values of the liability component of the 2016 Bonds and the conversion and redemption options were determined at issuance of the bonds. Subsequently, the liability component is measured at amortised cost and the embedded derivatives are measured at fair value at each balance sheet date.

During the year ended 31 December 2011, some of the 2016 Bonds with principal amount of HK\$11,000,000 were converted to 3,470,969 ordinary shares at a price of HK\$3.168 per share. The corresponding liability component of the 2016 Bonds with carrying amount of HK\$9,220,000 (equivalent to RMB7,514,000), together with corresponding embedded derivatives, were transferred to share capital and share premium as consideration for the shares issued.

During the year ended 31 December 2012, some of the 2016 Bonds with principal amount of HK\$89,000,000 were converted to 29,980,057 ordinary shares at a price of HK\$3.168 or HK\$2.61 per share. The corresponding liability component of the 2016 Bonds with carrying amount of HK\$74,947,000 (equivalent to RMB60,951,000), together with corresponding embedded derivatives, were transferred to share capital and share premium as consideration for the shares issued.

On 8 February 2013, the Company repurchased some of the 2016 Bonds with an aggregate principal amount of HK\$70,000,000 by way of over the counter purchase with cash consideration of HK\$76,453,000 (equivalent to RMB61,915,000).

On 23 June 2013, the Company paid HK\$1,522,519,000 (equivalent to RMB1,212,763,000) to redeem some of the 2016 Bonds with principal amount of HK\$1,379,000,000 upon the request of the bondholders.

On 10 March 2014, the Company paid HK\$12,457,000 (equivalent to RMB9,842,000) to redeem all of the remaining 2016 Bonds with principal amount of HK\$11,000,000.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

16 BORROWINGS (continued)

Notes (continued):

(b) **Convertible bonds issued on 23 May 2011 ("2016 Bonds") (continued)**

The 2016 Bonds recognised in the consolidated balance sheet is calculated as follows:

	RMB' 000
Liability component as at 31 December 2013	8,578
Interest expenses (Note 24)	250
Redemption of convertible bonds	(8,870)
Exchange losses	42
Liability component as at 30 June 2014	—

(c) **Senior notes issued on 1 February 2013 ("2018 Notes")**

The Company issued US\$100,000,000 senior notes on 1 February 2013 ("**February closing date**") which were listed on the Stock Exchange. The 2018 Notes bear interest at 13.25% per annum, which is payable semi-annually. The 2018 Notes mature in five years from the February closing date.

At any time and from time to time on or after 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 1 February of each of the years indicated below:

Period	Redemption price
2016	106.6250%
2017 and thereafter	103.3125%

At any time and from time to time prior to 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

16 BORROWINGS (continued)

Notes (continued):

(c) Senior notes issued on 1 February 2013 ("2018 Notes") (continued)

At any time and from time to time prior to 1 February 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2018 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.25% of the principal amount of the 2018 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2018 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The 2018 Notes contain a liability component and the above early redemption options:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.
- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on issue date of the bonds, as at 31 December 2013 and 30 June 2014, and is therefore not recognised.

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

	Six months ended 30 June 2014 RMB'000
Opening balance	626,053
Interest expenses (Note 24)	42,414
Coupon paid	(40,473)
Exchange losses	5,451
Ending balance	633,445

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

17 PLEDGED ASSETS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Completed properties held for sale	2,774,770	1,115,571
Property, plant and equipment	570,654	315,599
Properties under development	984,830	498,144
Land use rights	2,760,641	2,572,355
Investment properties	5,962,270	3,849,948
Restricted cash	2,519,730	1,128,500
	15,572,895	9,480,117

18 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
2015 Bonds — Embedded derivatives (note (a))	—	43,299
2016 Bonds — Embedded derivatives (note (a))	—	800
Warrants (note (b))	6,286	2,131
	6,286	46,230

Notes:

- (a) The embedded derivatives in connection with the 2015 Bonds and the 2016 Bonds mainly include bondholders' redemption option and conversion option.

During the six months ended 30 June 2014, all of the 2015 Bonds with principal amount of HK\$1,551,580,000 and outstanding 2016 Bonds with principal amount of HK\$11,000,000 were redeemed by the Company and corresponding embedded derivatives with total carrying amount of HK\$46,617,000 (equivalent to RMB36,676,000) and HK\$1,017,000 (equivalent to RMB804,000) respectively were disposed along with the liability component, resulted in a net gain of RMB23,988,000 to the Group (Note 22).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Notes (continued):

(a) (continued)

During the six months ended 30 June 2013, some of the 2016 Bonds with principal amount of HK\$70,000,000 and HK\$1,379,000,000 were repurchased and redeemed by the Company respectively and corresponding embedded derivatives with total carrying amount of HK\$219,563,000 (equivalent to RMB175,122,000) were disposed along with the liability component, resulted in a net loss of RMB11,442,000 to the Group (Note 23).

(b) The warrants are issued together with the 2015 Bonds on 10 December 2010, which are valued at HK\$2,710,000 (equivalent to RMB2,131,000) at 31 December 2013 and HK\$7,920,000 (equivalent to RMB6,286,000) at 30 June 2014 respectively by DTZ. The fair value change is made through profit and loss.

19 TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade payables (note (a))	4,261,422	4,071,332
Other payables (note (b))	2,655,548	2,384,808
Other taxes payable	167,492	214,002
	7,084,462	6,670,142

Notes:

(a) The ageing analysis of trade payables is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 90 days	4,153,890	3,920,959
Over 90 days and within 1 year	107,532	150,373
	4,261,422	4,071,332

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

19 TRADE AND OTHER PAYABLES (continued)

Notes (continued):

(b) Other payables comprise:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Deposits received from tenants	63,551	64,292
Advances from third parties (note (i))	2,054,204	1,928,710
Consideration payable on acquisition of a joint venture	50,000	50,000
Consideration payable on acquisition of subsidiaries	96,979	96,138
Payable to a joint operation partner Baolong	24,340	22,766
Miscellaneous	366,474	222,902
	2,655,548	2,384,808

- (i) The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms except for advances of RMB58,000,000 (31 December 2013: RMB68,000,000) made from Nanjing Guoding Investment Property Company, HK\$464,000,000 (equivalent to RMB368,300,000) (31 December 2013: HK\$835,000,000, equivalent to RMB656,502,000) made from Mr. Zeng Huansha and RMB30,000,000 made from Nanjing Jinzhao Construction System Engineering Co. Ltd. (31 December 2013: Nil) which bear interest at 12%, 15.5% and 13.5% per annum respectively and are due for repayment upon receiving demand from the lender.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

20 AMOUNTS DUE TO RELATED PARTIES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Controlling Shareholders Mr. Wong Wun Ming	141,191	146,771
Joint venture Quanzhou Mingfa Huachang Development and Construction Co., Ltd. (泉州明發華昌商業城開發建設有限公司)	250,838	200,838
Associated company Nanjing Software Valley Mingfa Communications Technology Development Co., Ltd. (南京軟件谷明發通信科技發展有限公司)	—	600
	392,029	348,209

The amounts due to related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due to related parties approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

21 PROVISION FOR OTHER LIABILITIES AND CHARGES

	Six months ended 30 June		For the year ended 31 December
	2014 RMB'000	2013 RMB'000	2013 RMB'000
Opening balance	3,714	15,017	15,017
Additional/(reversal of) provision	12,288	5,811	(2,822)
Utilised during the period/year	(9,580)	(6,528)	(8,481)
Ending balance	6,422	14,300	3,714
Representing:			
Provided amounts	80,223	76,568	67,935
Utilised amounts	(73,801)	(62,268)	(64,221)
Net book amount	6,422	14,300	3,714

The analysis of provision for other liabilities and charges is as follows:

	As at 30 June		As at 31 December
	2014 RMB'000	2013 RMB'000	2013 RMB'000
Provision for delivering delay in properties	6,422	14,300	3,714

The amounts represent a provision for delay in delivering properties brought against the Group by the customers. The provision charge is recognised in the consolidated income statement, and subject to periodic review on the estimation. It is expected that RMB6,422,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delays in delivering properties will not give rise to any significant loss beyond the amounts provided at 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

22 OTHER GAINS

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Government grants	398	387
Net exchange gain	—	55,923
Compensation income (note)	50,154	—
Net gain from redemption of 2015 and 2016 Bonds	23,988	—
Miscellaneous	1,007	2,253
	75,547	58,563

Note:

During the six months ended 30 June 2014, the Group received total compensation of RMB50,154,000 from the buyers representing overdue interest for late payment of purchase consideration as agreed in the sales and purchase contracts in connection with the Group's disposal in 2012 of its 49% equity interest in a subsidiary and its entire 50% equity interest in a joint venture.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

23 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Staff costs — including directors' emoluments	102,389	87,792
Auditor's remuneration	1,500	1,500
Depreciation (Note 6)	22,499	27,114
Amortisation of land use rights (Note 6)	2,513	2,696
Advertising, promotion and commission costs	59,408	64,425
Cost of properties sold	716,404	1,577,062
Business tax and other levies on sales of properties	74,773	155,339
Direct outgoings arising from investment properties that generate rental income	36,185	36,750
Operating lease expenses on land and buildings	25,671	16,559
Hotel operating expenses	49,540	40,364
Charitable donations	1,056	4,394
Office expenses	43,840	38,097
Professional fees	5,594	7,617
Provision for impairment of receivables	445	1,365
Impairment of goodwill (Note 6)	1	4
Provision for delay in delivering properties (Note 21)	12,288	5,811
Net exchange loss	43,781	—
Net loss from repurchase and redemption of 2016 Bonds (Note 18)	—	11,442
Miscellaneous	61,600	31,259
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	1,259,487	2,109,590

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

24 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Finance income		
— interest income on bank deposits	7,988	9,758
Interest expenses on bank borrowings and overdrafts which are		
— wholly repayable within five years	(261,170)	(174,379)
— wholly repayable over five years	(33,124)	(20,875)
Interest expenses on other borrowings and advances from third parties	(94,808)	(50,035)
Interest expenses on convertible bonds and senior notes (Note 16)	(50,007)	(192,851)
Less: Interest capitalised	395,317	308,487
Finance costs	(43,792)	(129,653)
Net finance costs	(35,804)	(119,895)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

25 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current income tax		
— PRC enterprise income tax	35,875	177,577
— PRC land appreciation tax	110,008	237,593
	145,883	415,170
Deferred income tax		
— PRC enterprise income tax	145,277	30,765
— PRC withholding income tax	9,443	3,557
	154,720	34,322
	300,603	449,492

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong during the six months ended 30 June 2014 (2013: Nil).

(b) PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2013: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

(c) PRC land appreciation tax

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

A property project in Jiangsu province is subject to land appreciation tax calculated at a rate of 4.5% on the proceeds from sales of properties, as agreed with the local tax authority.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

25 INCOME TAX EXPENSE (continued)

(d) PRC withholding income tax

According to the Enterprise Income Tax Law of the PRC and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their invested entities in the PRC declare their dividends out of the profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied, subject to approval of local tax authorities, when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group accrues for the PRC withholding income tax based on the tax rate of 5% for its immediate holding companies which are established in Hong Kong.

26 DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2014 (2013: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

27 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2014 and 2013 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	352,748	510,278
Weighted average number of ordinary shares in issue (thousands)	6,093,451	6,093,451
Basic earnings per share (RMB cents)	5.8	8.4

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and warrants. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect and any exchange and fair value movements. For the warrants, a calculation is done to determine the number of shares that could have been acquired based on the monetary value of the subscription rights attached to the warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

27 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

For the six months ended 30 June 2014 and 2013, as the average market share price of the ordinary shares during the period was lower than the subscription price, the impact of exercise of warrants on earnings per share is anti-dilutive.

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit attributable to equity holders of the Company	352,748	510,278
Interest expenses on convertible bonds (net of tax)	564	21,184
Exchange losses/(gains) on convertible bonds — liability component	890	(40,048)
Changes in fair value of convertible bonds — embedded derivatives	(6,619)	(18,700)
Net (gain)/loss from repurchase and redemption of 2015 and 2016 Bonds	(23,988)	11,442
Profit used to determine diluted earnings per share	323,595	484,156
Weighted average number of ordinary shares in issue (thousands)	6,093,451	6,093,451
Adjustment for conversion of convertible bonds (thousands)	45,946	795,281
Weighted average number of ordinary shares for diluted earnings per share (thousands)	6,139,397	6,888,732
Diluted earnings per share (RMB cents)	5.3	7.0

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

28 FINANCIAL GUARANTEES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties (note)	4,698,270	4,147,595

Note: The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors of the Company consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

29 COMMITMENTS

(a) Commitments for capital and property development expenditure

	30 June 2014 RMB'000	31 December 2013 RMB'000
Authorised but not contracted for	872,602	285,771
Contracted but not provided for		
— Properties being developed by the Group for sale	1,805,773	581,288
— Land use rights	5,667,389	4,868,403
	7,473,162	5,449,691

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

29 COMMITMENTS (continued)

(b) Commitments for equity investments

	30 June 2014 RMB'000	31 December 2013 RMB'000
Contracted but not provided for — Acquisition of a subsidiary located in Chengdu (Note 7(b))	9,544	9,544

(c) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within one year	60,859	45,788
Between two to five years	133,674	104,870
After five years	57,551	47,236
	252,084	197,894

(d) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within one year	314,417	310,025
Between two to five years	1,187,125	1,145,281
After five years	1,667,560	1,919,675
	3,169,102	3,374,981

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (Unaudited)

30 RELATED PARTY TRANSACTIONS

- (a) Other than those disclosed elsewhere in these condensed consolidated interim financial statements, the Group had entered into the following major related party transactions:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Continuing transactions		
— Purchase of construction materials from a related company (i)	165	7,859

Note:

- (i) Nanjing Qianqiuye was a subsidiary of the Group until it was disposed on 8 April 2008. Thereafter, the Group purchases certain construction materials from Nanjing Qianqiuye and a director of Nanjing Qianqiuye is also a director of the Company.

(b) Key management compensation

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Salaries and other short-term employee benefits	2,309	2,249
Retirement scheme contributions	32	175
	2,341	2,424

31 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the six months ended 30 June 2014 were approved and authorised for issue by the board of directors of the Company on 22 August 2014.